

Former Korean Leader Admits Hiding Millions Roh Apologizes as Investigators Close In on Secret Bank Accounts

By Kevin Sullivan
Washington Post Service

TOKYO — A former South Korean president, Roh Tae Woo, publicly apologized Friday for keeping a secret political fund of at least \$667 million that he raised and controlled during his presidency.

"I candidly offer my heartfelt apology to the people," said Mr. Roh, who faces possible criminal charges in a government investigation into the huge fund he said he raised from corporations during his 1988 to 1993 term in office.

He said about \$227 million (\$1.88 billion won) of it is still in bank accounts under false names. The rest had been spent on the activities of the governing Democratic Liberal Party or had been given to "people who work for the country," he said in a nationally televised apology. "I am totally responsible for all this and prepared to receive any judgment or punishment."

President Kim Young Sam and Kim Dae Jung, a prominent opposition party leader and possible candidate in the 1997 presidential election, also found themselves enmeshed in the scandal Friday.

Kim Dae Jung said that Mr. Roh gave

him \$2.6 million from the fund during the 1992 election, in which he was defeated by Kim Young Sam.

He said he did not see anything wrong with accepting money from Mr. Roh's fund. And he claimed that Kim Young Sam had received "hundreds of billions" of Korean won from Mr. Roh's fund during the same campaign.

Kim Young Sam, who is visiting Honolulu on the final leg of a U.S. trip, said he would continue to press for a full investigation into the matter, but he made no comment on the allegations that he had received money from the fund.

"I issued orders twice to make sure that the investigation is thorough and there should be no sanctuary," the president said. "The government's handling of the case will prove its morality."

President Kim and Mr. Roh are close allies and are both members of the Democratic Liberal Party.

The vast sums of money involved in the scandal have infuriated South Koreans, who have suffered through political corruption and abuses of power for years. Although South Korea is a thriving and prosperous economic power, its politics

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Roh Tae Woo giving his apology on Friday and saying he was "prepared to receive any judgment or punishment."

Japan Cites Merrill for Violations In Trading

Analysts Say It May Be
Retaliatory Action for
U.S. Probe of Daiwa

Compiled by Our Staff From Dispatches

TOKYO — In its first such move against a foreign securities firm, Japan's securities industry watchdog recommended Friday that Merrill Lynch & Co.'s Tokyo branch be punished for "serious" stock-trading violations over a period of six years.

A Merrill Lynch official in Japan said the securities firm admitted to technical violations from 1989 to this year and that they resulted from lax supervision of the branch. But in a statement Friday from its New York headquarters, Merrill defended its trading activities as in line with rules of the Tokyo Stock Exchange and "accepted international practices."

The first-ever action by Japan's watchdog agency signaled a possible escalation of tensions between Japan and the United States over chronic trading violations by financial firms operating in each other's backyard.

It comes less than a month after the U.S. Federal Reserve issued harsh sanctions against Japan's Daiwa Bank Ltd. for failing

Tokyo makes a rare public statement of distrust in the United States. Page 3.

Doubts Abound as Report Depicts a Roaring U.S. Economy

By Lawrence Malkin
International Herald Tribune

WASHINGTON — The U.S. economy grew at a surprisingly robust 4.2 percent rate in the most recent quarter, the government reported Friday, with one measure of inflation at its lowest level in 32 years.

But many economists said that the figures seemed misleading and that the economy probably did not rebound as sharply as the data indicated.

Wall Street nevertheless reckoned the figures were strong enough to prevent the Federal Reserve from lowering interest rates soon. The conclusion came even though the report also disclosed a large jump in federal spending that could only be temporary and a widening gap between the

	Up	Down
Dow Jones	37.93	0.99%
Trib Index	4741.75	122.48
The Dollar		
New York	Fr. close	previous close
DM	1.4085	1.3903
Pound	1.578	1.5835
Yen	101.80	101.37
FF	4.8625	4.8983

buying patterns of rich and poor, hinting that the pace of growth could not be sustained.

"Without a healthy consumer, growth can't continue," said Cynthia Latta, an economist for DRI-McGraw Hill.

She and David Kelly, a Lehman Brothers economist, pointed to the slowdown in the growth of consumer spending from 3.4 percent in the second quarter to 2.9 percent in the third. Ms. Latta discerned a burgeoning "low-income recession" in the disparity.

The Commerce Department's preliminary estimate of growth was more than double the 1.3 percent rate the economy grew in the second quarter.

Inflation by one measure — the implicit price deflator — was only 0.6 percent, the lowest level in 32 years, which helped to increase the statistic for real growth. But by a more complex measure called the chain price index, which Commerce itself prefers, growth was about 3 percent.

Discounted in this way for statistical and seasonal quirks, the growth figure came

closer to the Federal Reserve's target of slightly above 2.5 percent, which at a minimum means the central bank is likely to stay its hand until it receives a better reading of not only the third but also the final quarter of the year.

Wall Street and its economists had forecast a growth rate closer to the Fed's target and at first were surprised. But the market recovered, driven by a robust bond market.

With the economic growth report showing good but unevenly distributed growth, plus low inflation, Edward Yardeni of C.J. Lawrence deemed it "bad for profits," saying it could push companies to continue cutting jobs instead of hiring.

"But the real problem in the market is the terror among portfolio managers that

they will lose this year's gains," said Michael Metz of Oppenheimer & Co. He pointed out that as the end of the year approaches, fund managers — who have made on average about 25 percent this year — have turned supercautious and begun to take profits in the financial and technology stocks that were this year's stars, shifting either into cash or consumer cyclical like pharmaceuticals or food and drink.

The GNP figures provided few clues to investors about where to jump next. Ms. Latta said the Commerce number-crunchers "pulled some tricks" by making assumptions about inventories and spending on housing and consumer goods. She said their estimates for September, the final month of the quarter, were likely to fall apart when they are replaced by reports from the field.

Yeltsin Illness Disrupts Bosnian Talks Russian Leader 'Stable' but Incapacitated for Weeks

By Steven Erlanger
New York Times Service

MOSCOW — Boris N. Yeltsin's doctors said Friday that the Russian president, in the hospital after an episode of heart disease Thursday, must remain under "close medical supervision" through the end of November, but that he was conscious and his condition was stable.

With Mr. Yeltsin hospitalized, Kremlin officials canceled a meeting scheduled for Tuesday in Moscow with the presidents of Serbia, Croatia and Bosnia before they travel to the United States to begin peace talks. Mr. Yeltsin has been pushing for a Moscow summit meeting on Bosnia, and the meeting was designed to underline Russia's importance in the search for peace there.

The U.S. defense secretary, William J. Perry, and the Russian defense minister, General Pavel S. Grachev, went into a second day of delicate talks in Washington about how Russian troops could take part in carrying out of any peace in Bosnia without being directly under NATO command.

But some Western diplomats and analysts, like Andrew Pierre of the Carnegie Endowment for International Peace, suggested that the Bosnia peace deal was "a house of cards," and that Mr. Yeltsin's hospitalization, producing instability and uncertainty in Moscow, could complicate the Clinton administration's plans in Bosnia.

With decision-making so personalized in Russia, any serious period of incapacity for Mr. Yeltsin could prevent General Grachev from making important decisions

about Russian participation in Bosnia. Mr. Yeltsin has undermined his foreign minister, Andrei V. Kozyrev, by talking of replacing him, and few Russian officials will be eager to take responsibility for any decision that will have to be viewed politically as a compromise to Western or NATO interests.

There are also signs of increased warfare in the rebellious southern Russian province of Chechnya, as political and diplomatic efforts to negotiate a lasting peace are faltering.

Officials said Friday that Mr. Yeltsin had received two visitors in the hospital except for the doctors, his wife, Naina, and his longtime friend and chief bodyguard, General Alexander V. Korzhakov. Offi-

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U.S. Budget Bill Fixes New Course for Nation

By Helen Dewar
Washington Post Service

WASHINGTON — To the Senate majority leader, Bob Dole, the Republican Congress's huge budget-balancing bill promises a "brighter future for our children and grandchildren" to pursue the American dream without fear of crushing budget deficits, mounting taxes and an overbearing federal government.

To Senator Edward M. Kennedy, Democrat of Massachusetts, it proposes to shred a hallowed social contract between Amer-

icans and their government by taking "from the needy to give to the greedy" and making "a mockery of the family values the Republican majority pretends to represent."

In their conflicting visions of the bill's likely impact on the country, Republicans and Democrats agreed on one point that was often obscured by the numbers crunching, deal making and political cheap shots of Congress's long debate over the measure: The bill represents a crossroads — a "defining moment," as Mr. Dole put it — in the course of America and the government it has known for most of the 20th century.

More than the "revolution" promised by President Ronald Reagan in 1981, both House and Senate versions of the legislation would reverse decades of Democratic social policy and reduce the reach of the federal government, scouring every nook, cranny and canyon of government to finance tax cuts and a balanced budget by 2002.

The House approved its version Thursday in a 227-to-203 vote. Once both houses produce a uniform version, the legislation will be toned down in negotiations with the White House after President Bill Clinton vetoes it, and voters may decide next year

Canadians, at Huge Rally, Implore Quebec to Stay

By Charles Trueheart
Washington Post Service



Opponents of secession rallying Friday in Montreal. Quebec voters will decide the issue in a referendum Monday.

MONTREAL — Tens of thousands of Canadians gathered Friday in the heart of Montreal in an impassioned show of affection for Quebec as the province headed into a pivotal Monday referendum on secession from Canada.

Joined by streams of lunch-hour workers from office towers, the unity pilgrims massed on Boulevard Rene Levesque and Place du Canada at noon-time, creating a chanting red and blue sea of Canadian maple leaf flags and Quebec's fleur-de-lis.

"My Canada includes Quebec, and my Quebec includes Canada," a shouting man shouted through a megaphone.

"We're here to hold hands with Quebecers," said Brenda Broughton, who was among the committed planeloads who flew here from British Columbia and elsewhere across Canada on steeply discounted "unity" fares offered by the two private Canadian air carriers.

The separatist leader Lucien Bouchard was derisive about the spontaneity and sincerity of the Montreal rally, which was organized hastily by the "no" forces after their late slide in public opinion polls became apparent.

Speaking Thursday in Sainte Hy-

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Antilles	12.50 FF	Morocco	14 Dh
Cameroon	1,800 CFA	Qatar	1,000 Riels
Egypt	E.P. 5000	Réunion	12.50 FF
France	10.00 FF	Saudi Arabia	10.00 R
Gabon	1,100 CFA	Senegal	1,100 CFA
Greece	350 Dr.	Spain	225 PTAS
Italy	2,800 Lire	Tunisia	1,250 Dn
Ivory Coast	1,250 CFA	Turkey	L. 55,000
Jordan	1,250 JD	U.A.E.	10.00 Dh
Lebanon	US\$ 1.50	U.S. (Eur.)	\$1.20

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ties in the former Yugoslavia gather just outside Dayton, Ohio, next week. U.S. negotiators plan to present them with a draft peace agreement as well as a detailed constitutional and territorial proposals for a future Bosnian state; The Washington Post reported from Washington.

The chief U.S. negotiator on the former Yugoslavia, Richard C. Holbrooke, said that the U.S. package was now being fine-tuned in discussions between the United States and its partners in the five-nation "Contact Group" of mediators, which includes Russia, Germany, France, the United States and Britain.

The package is also likely to include a separation of forces agreement, a proposal for elections to a unified Bosnian state, an agreement on the return of refugees expelled during the Bosnian war, which has been going on for three and a half years. (AP Reuters)

By Kit R. Roane
New York Times Service

SARAJEVO, Bosnia-Herzegovina — Marking the first time in more than three and a half years that Bosnian civilians have laid tracks on a Serbian-held highway, the United Nations defied earlier Serbian reticence Friday and led a small commercial convoy into Sarajevo.

The United Nations praised it as another step toward peace in the region.

"It's another sign that the siege of Sarajevo is being lifted," said Chris Guiness, a UN spokesman in Sarajevo. "But more important, we hope that it will set the stage for cordial talks between the parties in Ohio."

Four trucks driven by a civilian-led and escorted by a six-vehicle French UN escort braved the 25-kilometer (16-mile) swath of Serbian-held territory to carry cement and flour from the government-held town of Pazaric, southwest of Sarajevo.

These trucks would normally have been forced to use the physically treacherous, but UN-controlled, Mount Igman route.

The Serbian-controlled highway was fully opened to United Nations and humanitarian aid traffic on Tuesday. It had been closed for three years, due to the preponderance of Bosnian Serbian mines and artillery in the area. This road across a Serbian-land completes a path from the Adriatic coast to the Bosnian government's eastern enclave of Gorazde.

It was unblocked as part of the truce reached earlier this month. Colonel Vladimir Radovic, commander of the

Two of the freed politicians, Sedat Yurtdas, left, and Ahmet Turk, in Ankara.

markably similar to those of Mr. Haider's far-right Freedom Party. (Reuters)

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Japan Bluntly Cites 'Distrust' of U.S.

TOKYO — Japan made a rare public statement of distrust in the United States on Friday after Washington said it could not discuss reports that it had spied on Japanese officials.

Tokyo formally asked Washington last week to investigate media reports that said the Central Intelligence Agency had spied on Japanese officials and business executives during trade talks. Washington agreed to take up the request.

The reply came Thursday, when Winston Lord, U.S. assistant secretary of state for East Asian and Pacific affairs, told Takakazu Kuriyama, Japan's ambassador

to Washington, that he could not comment on U.S. intelligence-gathering activities.

"They will not deny it, and their statement that they cannot comment further leaves room for doubt," a Japanese government spokesman, Koken Nosaka, said Friday. The U.S. government "should make an effort to remove Japan's distrust of the United States," Mr. Nosaka said at a news conference.

The comment was unusually blunt. Japanese government officials are normally wary of speaking out against Japan's biggest economic and political ally. Mr. Nosaka said that Japan would continue to follow U.S. action closely on the issue.

Mr. Kuriyama told Mr. Lord in Washington that the affair could have a "negative impact" on bilateral ties.

"I am concerned that this sort of media report will have a negative impact on overall U.S.-Japan ties," the prime minister's office quoted Mr. Kuriyama as telling Mr. Lord. "We regret that the United States did not firmly deny the reports," Mr. Kuriyama said.

The dispute broke out when The New York Times reported on Oct. 15 that the CIA had eavesdropped on conversations among Japanese officials and car company executives and fed reports to U.S. officials during talks in Geneva in June.

POLITICAL NOTES

Gingrich Finds Poll 'Disgraceful'

WASHINGTON — The House speaker, Newt Gingrich of Georgia, and other Republican leaders have attacked a New York Times/CBS News Poll, contending that it asked questions calculated to prompt unfavorable public reaction to Republican legislative proposals.

"This poll is a disgraceful example of disinformation," Mr. Gingrich said. "What we get are deliberately rigged questions that are totally phony that come out the morning of the vote" on the House's tax and spending bill.

But editors at The New York Times and CBS News defended the poll, which found that the public, by a nearly 3-to-1 ratio, rejected the Republicans' proposed tax cuts and, by a 2-to-1 margin, disapproved of their plan to curb Medicare spending.

The editors said the questions were balanced and the poll's methodology was sound. They added that the results of the poll, in which 1,077 adults were surveyed, were similar to the findings of other recent polls showing wide public skepticism about Republican plans to balance the budget and outright opposition to changes in Medicare. (NYT)

Gun-Free Schools: On Target

WASHINGTON — A year after President Bill Clinton called for zero-tolerance of guns in the schools, 47 states and the District of Columbia have enacted laws or policies complying with the U.S. Education Department's mandatory suspension of gun-carrying students. And although the policies are helping to reduce violence in the schools, it remains a problem in parts of the country, Secretary of Education Richard W. Riley said.

"We know that zero-tolerance laws work," Mr. Riley said. "Schools that have implemented zero-tolerance policies have seen fewer weapons in their classrooms and fewer crimes."

Mr. Clinton signed a bill a year ago requiring that states adopt policies to expel for at least a year any student who brings a firearm to school. States would face loss of federal funds if they did not pass such policies within a year. (NYT)

Top Billing, of Sorts, for Bono

WASHINGTON — Sonny Bono has a new role, and he wants Hollywood to be his co-star.

After just 10 months in Congress, the freshman House Republican from California has a daunting political assignment: wooing the overwhelmingly liberal entertainment industry into the Republican Party fold.

Mr. Bono is the designated point man on the Congressional Entertainment Task Force, a newly formed contingent of a dozen Republican House members whose mission, members say, is to stop bashing Hollywood and start talking issues — and just maybe to wrestle a few dollars out of Hollywood for the party.

Mr. Bono wants "a dialogue" between House Republicans and leaders of the film, TV and record industries, which he feels have been ill-served by the party in the past.

Mr. Bono said that many in the Congress had criticized film and record producers "on a morality basis without understanding how the industry functions." He cited the "Nightmares of Depravity" speech in May by Bob Dole, the Senate majority leader.

"I feel I can bridge that gap," Mr. Bono said. "I still feel I have an expertise in that industry and understand the issues probably better than anyone, not because I'm so smart but because that was my turf for so many years." (WP)

Quote/Unquote

Representative Sherwood L. Boehlert, Republican of New York, on Newt Gingrich: "You would be hard pressed to find many people in the House, on both sides of the aisle, who have not in the last week or 10 days met with the speaker. Speaker Gingrich has more balls in the air than the Braves and the Indians." (NYT)



Newt Gingrich displaying a copy of the offending poll.

Away From Politics

• A 91-year-old man contracted the AIDS virus from the bite of a prostitute, Florida health officials say. They believe the virus was transmitted by blood from her gums. But the federal Centers for Disease Control and Prevention in Atlanta said it had not confirmed the case as the first known transmission of the deadly virus through a human bite. (AP)

• The space shuttle Columbia hummed along smoothly Friday as it entered its eighth day in space while the crew watched video replays from baseball's World Series on a television link. (Reuters)

• Deportations of criminal aliens in the fiscal year ended Sept. 30 reached a record high of 31,244, surpassing the government's goal of deporting 28,500 during the year, according to the Immigration and Naturalization Service. (AP)

• Lawyers representing O. J. Simpson in wrongful-death lawsuits want all pretrial proceedings kept secret, arguing that opening the matter to the public would taint prospective jurors. In papers filed in Santa Monica, California, a Simpson lawyer, Robert C. Baker, asked a judge to impose a gag order on everyone involved in one of the cases and requested that Mr. Simpson's deposition be sealed. (AP)

• A grand juror in the federal-building bombing case has been dismissed in Oklahoma City for violating secrecy rules by saying in a magazine interview that prosecutors should have preselected evidence of a larger conspiracy. (AP)

Recount of Black Marchers High-Tech Photo Analysis Finds 837,000

BOSTON — Experts who re-examined photographs and video footage of the "Million Man March" lowered their estimate Friday and said they believed 837,000 people attended the rally in Washington.

The count was more than double the official estimate of 400,000 initially provided by the National Park Service, and lower than the estimates of up to 2 million made by the Nation of Islam, which helped organize the Oct. 16 march.

Boston University's Remote Sensing Center used its digital photo enhancement and analysis techniques to provide a scientific estimate of the crowd size. ABC television asked the center last

week to offer an estimate based on Park Service photos. The center put the number at 870,000 with a margin of error of 25 percent.

The center's director, Farouk El-Baz, and his researchers re-examined the photos and studied additional pictures taken by the Park Service and ABC. Mr. El-Baz said the new estimate was 837,214, and with a margin of error of 20 percent, the range was 670,000 to 1,004,000.

"We know there are still volumes of people that have not yet been counted," said Leonard Muhammad, chief of staff for the Nation of Islam. "It is our duty and responsibility to see to it that every young man who came to Washington in the spirit of atonement and reconciliation is marked present and not absent."

Clinton Nudges Suharto On Rights

WASHINGTON — President Bill Clinton raised the issue of human rights in a meeting Friday with President Suharto of Indonesia, the White House said.

But that subject was the last item mentioned in the White House statement, after trade and the coming meeting in Osaka, Japan, of the Asia Pacific Economic Cooperation group, or APEC.

President Clinton welcomed the continuing dedication and initiative President Suharto has shown in moving APEC toward the goals of free trade and investment called for in the Bogor Declaration of 1994, the White House said.

The statement also said Mr. Clinton "raised continuing American concerns about the human rights situation in Indonesia, particularly in East Timor."

In 1976, Indonesia annexed East Timor, then a Portuguese colony, but the United Nations and other countries still recognize Lisbon as the administrator.

Before the meeting, separate letters signed by 28 senators and 28 representatives were sent to the White House this week urging Mr. Clinton to give high priority to reported abuses in East Timor and Irian Jaya Province.

New Group Launched Several prominent Indonesian politicians have formed a new organization, the second to emerge this past week, that they say will fight corruption and moral decadence, reports said in Jakarta on Friday, Agence France-Presse reported.

The Indonesian National Unity group was set up Thursday by mostly former members of the National Party of Indonesia, the Kompas, a Jakarta daily, said. The National Party was founded by the previous president, Sukarno.

"For us the most important thing is to straighten up the implementation of the 1945 constitution," said the Indonesian National Unity chairwoman, Supeni.

The Jakarta Post daily quoted her as saying the organization wanted to deal with moral decadence, corruption, public unrest and other issues. On Monday, the National Brotherhood Foundation was set up by 67 influential leaders, including the former Parliament speaker, Kharis Suhud.

Sniper at Fort Bragg Kills a Soldier GI Is Arrested as 18 Are Wounded in Predawn Attack

FORT BRAGG, North Carolina — A sniper opened fire Friday on hundreds of soldiers exercising in the predawn fog at Fort Bragg, killing one and wounding 18 others. A soldier stationed at the fort was arrested.

The shooting happened near the entrance to Towle Stadium, where members of the elite 82d Airborne Division routinely do their calisthenics before starting work.

"I heard some shots. It was unusual because we're not near a range," said Private First Class Michael Miller.

The suspect was being questioned by the Army's Criminal Investigation Division.

The army said 19 soldiers were hit — one was killed and 18 were wounded, some critically. One of the wounded was treated and released. The others had various injuries, primarily to the abdomen, chest or lower extremities. All the soldiers who were shot were from a task force attached to the 2d Brigade of the 82d Airborne.

AMERICAN TOPICS

Patrols on Horseback Gallop To the Rescue of Police Image

Mounted police are more in favor than ever. Dayton, Ohio, for example, formed a horse patrol six years ago for crowd control and to increase police visibility downtown.

The horses are highly popular. Merchants have installed watering troughs. People feed the horses apples and carrots.

The 10-horse unit has not been without its growing pains. One officer broke an arm and another separated a shoulder in falls, and horses have gotten spooked and bolted through downtown.

But the mounted patrol has pulled its own weight. The horses are highly effective in crowd control — and at chasing purse-snatchers.

"One horse on a routine patrol situation can cover four times the area a foot patrolman can," said William Eades, head of the U.S. National Mounted Police Training Competition Inc. "And in a crowd-control situation, one horse equals 20 people on foot."

Mr. Eades said horses are a good public relations tool because they help break the ice between police and the public, adding, "You ever see anybody try to pet a police car?"

About People

Gerald Ford says all he really wanted to be was speaker of the House of Representatives, not president. "I envy Newt Gingrich," the former president said during a speech at Drew

University in Madison, New Jersey, Mr. Ford, 81, was the minority leader of the House when President Richard Nixon picked him to replace Vice President Spiro T. Agnew, who resigned in 1973. Mr. Ford became president when Mr. Nixon resigned the following year.

When it comes to raising children, the Duchess of York says she prefers the American way. "You have to give children praise and listen to them," she says in the Oct. 28 issue of TV Guide. She said Americans were better than the British "at seeing what a child can do and enhancing that potential." The former Sarah Ferguson separated from Prince Andrew in 1992. They have two daughters, Beatrice, 7, and Eugenie, 5.

Short Takes

The Court of Appeals in Washington state threw out the conviction of Daniel Wells for drunken bicycling. "Because bicycles do not have the force and speed of cars, a drunk bicyclist is not capable of causing the tremendous 'damage and slaughter' associated with drunk driving," wrote Judge Edward Fleisher. However, the court ruled that soused cyclists still have to abide by the rules of the road or risk arrest.

The Ford Foundation and the John F. Kennedy School of Government at Harvard University have awarded \$100,000 each to 15 federal, state and local government programs that have demonstrated innovation and improvement. A typical winner was Project Quest in San Antonio, Texas, in which citizens, community groups, educational institutions and churches are working together to train low-income people for highly skilled positions rather than low-wage jobs. (International Herald Tribune)

Dining Out

<p>AMSTERDAM</p> <p>Restaurant Christophe</p> <p>Southern French Cuisine</p> <p>"Best Restaurant Netherlands" (RPI)</p> <p>Leopoldstraat 46 - 1015 PB Amsterdam</p> <p>Tel. +31 20 6250007 Fax. 6389132</p>	<p>PARIS 6th</p> <p>LE BILOQUET</p> <p>A jazz lounge since 1947</p> <p>which hosts the greatest jazzmen.</p> <p>In the heart of Saint-Germain-des-Près</p> <p>for dinner or a drink.</p> <p>Open every day, 7 p.m. to 1 a.m.</p> <p>13, rue Soufflot, Tel. (1) 45 48 81 84.</p>
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Italian Court Sentences Craxi and Forlani to Prison 22 Are Convicted in Corruption Trial

Compiled by Our Staff From Dispatches

MILAN — Two former Italian prime ministers, Bettino Craxi and Arnaldo Forlani, and the leader of the Northern League, Umberto Bossi, were convicted of illegal party funding on Friday and sentenced to prison terms.

Mr. Craxi, a Socialist now living in self-imposed exile in Tunisia, was sentenced to four years in jail in one of the stiffest sentences imposed on the 22 defendants by the Milan court at the end of a 16-month trial.

Mr. Forlani, a Christian Democrat, was given a 28-month jail sentence.

Mr. Bossi and Alessandro Patelli, former treasurer of the federalist Northern League party, both received eight-month suspended jail sentences.

All were found guilty of illegal party financing in the so-called Enimont trial, the highest case to date in more than three years of scandals over the huge corruption that oiled the wheels of politics under Italy's old governing class.

The prosecution charged that the Ferruzzi industrial group spent about 150 billion lire (\$94 million) in bribes to extricate itself from its disastrous Enimont joint venture between agro-chemicals company Montedison and state energy group ENI and to buy influence before the 1992 general election.

All 22 defendants convicted by the court deny wrongdoing. Under Italian law, all 22 politicians and businessmen can have their sentences suspended pending an appeal.

The Enimont affair is the highest corruption scandal uncovered by Italy's "Clean Hands" inquiry into corruption in public life.

The list of accused reads like a "Who's Who" of Italy's fallen mighty, with 14 politicians convicted along with three former Montedison employees and five middlemen.

Mr. Craxi, who was prime minister from 1983 to 1987, left Italy last year for his holiday home in Hammamet, Tunisia,

and says he is too ill to return. He has already been sentenced to jail terms in at least two other graft trials. He criticized the latest conviction, for receiving 11 billion lire in the Enimont affair, as another case of what he called "shameless political persecution."

"I never received any political funds from Montedison," Mr. Craxi said in a statement sent to news agencies. "Nobody has said I did, and no one can prove the opposite of what I am saying."

Mr. Bossi's party was in a coalition government for seven months last year. He built his northern-based party's appeal on its assault on political corruption and sought to brush off his conviction.

Two important figures at the center of the scandal both committed suicide in the same week of July 1993. Gabrieli Cagliari, the former ENI chairman, hanged himself in Milan's San Vittore jail, and Raul Gardini, the Ferruzzi chairman, shot himself. (Reuters, AFP)



Former Prime Minister Giulio Andreotti of Italy heading for court in Perugia on Friday. He is on trial for instigating the murder of a journalist, Nino Pecorelli, who had gathered damaging evidence of a Mafia affiliation against the political leader.

White Farmers Plan South Africa Action Talk With Us, Leader Says

JOHANNESBURG

White South African farmers warned the black majority government on Friday that they were planning drastic action over grievances ranging from land claims to escalating crime.

Dries Bruwer, head of the Transvaal Agricultural Union, said the government of President Nelson Mandela was not consulting farmers on vital issues like representation on local councils and land redistribution.

There are only 40,000 white farmers in South Africa, but even in the new democracy they represent a powerful interest group because they produce the bulk of the country's food.

"There's quite a lot of things we can do," Mr. Bruwer said. "I make a plea to the president, talk to the farmers, listen to them."

White farmers in the Transvaal Agricultural Union and in the Orange Free State province are boycotting local elections next week on the grounds that their voice will be

swamped in the planned system of rural councils.

Critics of the system point to the example of the Trichardsdal area where 181 white farmers fall in the same voting area as 25,000 blacks. The say the farmers will end up paying the bulk of taxes without having an effective say in how the money is spent.

"They are forcing a system on us that we don't want," Mr. Bruwer said. "We are not going to pay levies and taxes because we are being stripped of powers over our own farms."

"What annoys farmers most is that there's no law and order anymore," Mr. Bruwer said. "You can't farm near a squatter camp because the squatters steal everything they can move."

Mr. Bruwer said white farmers were evicting black workers because of legislation that would give the workers ownership of farm land if they had lived on it for a certain period.

"The government is disrupting the good relations that farmers have always had with their workers," he said.

QUEBEC: Canadians, at Huge Rally, Implore Compatriots to Stay

Continued from Page 1

acanthus, Quebec, Mr. Bouchard tapped his breast with his hand and said sarcastically, "Boom. Boom. If they love us so much, where have they been all these years?"

The leader of the Bloc Québécois told his audience of enthusiastic veterinary students that workers were being given a day off, and in some cases rides to Montreal and flags to carry, by their pro-unity employers.

He reminded them that Quebec's chief electoral officer had declared the discounted air fares to the rally an illegal campaign contribution to the "no" side. "They are driving a bulldozer over the laws of Quebec because federalism and the 'oo' are more important than respecting the fundamental law of Quebec," Mr. Bouchard said.

The pro-unity crowd heard a succession of upbeat messages from Prime Minister Jean Chrétien and other leaders of the "oo" forces who hope to wrest victory from the defeat that polls indicate is now narrowly possible. Mr. Chrétien said Quebecers were fortunate to belong both to a

"patrimony" named Quebec and a country named Canada, and "we say 'no' to those who want to take Canada away from you."

The rally was the latest and largest this week in a succession of occasionally tearful public outpourings from the rest of Canada. Their mostly English-speaking fellow citizens are pleading with mostly French-speaking Quebecers, in effect, to give them one more chance to make things right in the fragile Canadian family.

Lyse Lacourse, a federal worker who took the day off to be here, said the crisis of a possible "yes" vote in Monday's referendum had brought out a side of Canadians she had not seen before. "We do have emotions. We are patriotic. We don't show it like other countries, like the Americans. But as Canadians, we've never shown that as clearly as today," she said.

"Those of us who live in Quebec get to vote, but the majority here won't, so this is their chance to make their feelings known," said Dale Shutt, who accompanied a busload of unity enthusiasts from the Pontiac region of western Quebec. She

marveled that people had come all the way from Yukon territory to attend the festive demonstration.

Whether the extraordinary expression of good will and concern will make a difference to undecided voters is a question about which "no" and "yes" supporters naturally differ.

Regardless of its impact, the rally capped a late whirlwind of activity by Mr. Chrétien and his provincial allies to reach Quebec voters who may be tempted by the separatist momentum to abandon their traditional hesitation about rupturing Canada and going it alone.

As recently as three weeks ago, as for months before, polls showed the separation option losing to the unity side. Now the tables are turned. The SOM poll released Friday put the "yes" side at 46 percent, the "no" at 40 percent, and undecided at a sizeable 14 percent.

The six-point spread is impressive, but many analysts here have begun to predict that the undecided voters, together with those who refuse to be questioned by pollsters, will overcome the apparent lead.

French Hunter Bags a Copter

Reuters

DRAGUIGNAN, France — A French hunter, angry at low-flying army helicopters, blazed away with his shotgun and brought down a four-and-a-half-ton troop-carrying helicopter on Friday.

No one was hurt in the incident in which the SA-330 Puma made a forced landing after its fuel line was cut by the shotgun blast. The aircraft was over a forest at an altitude of 30 meters (about 100 feet) when it was hit, the army said.

The hunter, a resident of this area of southern France where helicopter pilots train for combat missions, was arrested by police, who said he had been drinking.

The army said the 16-meter-long aircraft, which has a four-man crew and can carry 15 troops, was returning to its base after dropping off some soldiers when it was shot down.

YELTSIN: Talks Disrupted

Continued from Page 1

cial have already canceled state visits to China and Norway scheduled for November.

Mr. Yeltsin's second attack in the last four months of "myocardial ischemia," an insufficiency of oxygenated blood to the heart muscle, will also undermine any campaign plans he had before the parliamentary elections on Dec. 17.

Mr. Yeltsin had talked of marshaling democratic forces against the challenge from the revived Communist Party, which is leading in scattered polling.

It also puts his own chances of re-election into further doubt in presidential elections scheduled for June.

The December elections now take on added importance as an indicator of the strength of other presidential hopefuls like Prime Minister Viktor S. Chernomyrdin, former General Alexander M. Lebed and the liberal economist Grigori A. Yavlinsky, all of whom are leading political parties into the parliamentary vote.

Diplomats and analysts suggested that despite Mr. Yeltsin's efforts to preserve his political clout by keeping open a bid for re-election, this second bout of heart trouble will be harder to shrug off politically.

"There are a lot of people today who will be recalculating their political positions," a diplomat said. "It's important to keep an eye on the relations between the Yeltsin entourage and the Chernomyrdin government, to see if anyone's edging that way."

If Mr. Yeltsin dies or suffers prolonged incapacity, Mr. Chernomyrdin becomes acting president and must call new presidential elections within three months.

When Mr. Yeltsin appears healthy, his loyalists have worked to undermine Mr. Chernomyrdin's political position. But if Mr. Yeltsin cannot run again, they may quietly edge toward Mr. Chernomyrdin, or to another political heavyweight, like General Lebed's ally, Yuri Skokov, as a bet on the country's future stability.

There was little medical information available Friday, and it was all filtered through Yeltsin spokesmen.

The doctors said that the supply of blood to Mr. Yeltsin's heart muscle "is still unstable," but "there have been no signs of heart insufficiency up until now," which Mr. Yeltsin's spokesman, Sergei Medvedev, interpreted this way: "That means the blood pump is working O.K."

Mr. Medvedev then said: "I stress 'up to now.'"

Dassault Chief Bloodied by Rock

Reuters

PARIS — The French aviation magnate Serge Dassault, who is also mayor of Corbeil, suffered a cut forehead when he was hit by a stone hurled at him as he toured a riot-hit area in the town, which is near Paris, the police said Friday.

Mr. Dassault, 70, chairman of Avions Marcel Dassault-Breguet Aviation, was hit by the rock Thursday, but his injury was not serious, the police said.

Mr. Dassault and his party came under a hail of stones thrown by youths as they toured an area of rundown public housing after a night of violence there in which six policemen were hurt.

Mandela's Party Polishes Promises

By Donald G. McNeil Jr.
New York Times Service

VOSLOORUS, South Africa — With just days go until the second-most important election in South African history, Max Sisulu might have been expected to be frantically pressing the flesh, kissing babies, and doing everything he could to make sure that his party's candidates win their races.

Instead, Mr. Sisulu, a legislator from Soweto and son of Walter Sisulu, lion of the African National Congress, was touring a tough township that does not contain a single one of his constituents, trying to determine whether his party's platform, issued two years ago, is on track.

The platform is the much-vaunted Reconstruction and Development Plan, the ANC's book-length outline for rebuilding South Africa.

Crime, housing, and how much power Zulu chiefs will retain under the constitution are big issues in Wednesday's voting, which will elect city councils and ward committees across the nation. But one thing the ruling ANC's opponents have unfailingly bashed it with is the charge that "the ANC has failed to deliver on the RDP," as everyone calls it in the acronym-mad milieu here.

That is why Mr. Sisulu was here. "The ANC has to deliver on its promises," he said. "If we do that, we'll win all the elections."

Not that he seemed worried.

"We got 64 percent of the vote last time and we're hardly likely to lose this time," he said. Saki Macozoma, chairman of the ANC's elections commission and a principal strategist, denied that the party is complacent, saying its national leaders will campaign hard this weekend. They did little before, he said, because his research showed voters were more interested in the local candidates.

Mr. Sisulu's eyes are firmly on the number of houses built, jobs created, promises kept. As the chairman of the Parliament committee overseeing the Reconstruction and Development Plan, he is especially stung by the campaign criticisms.

Asked how he would treat a fellow ANC member, Jay Naidoo, the cabinet minister in charge of running the plan, if he suspected foot-dragging, he replied: "I'll hammer him."

BUDGET: A New U.S. Course

Continued from Page 1

that Republicans went too far in carrying out what they perceived as a mandate for smaller, cheaper and less intrusive government last November.

But the overall direction has been set in ways that will be hard to reverse.

"For the first time in 50 years, we have changed the dynamics of the welfare state," said the Senate Finance Committee chairman, William V. Roth Jr. of Delaware.

"Never before have we tried to bring about such fundamental change," added Mr. Dole of Kansas.

Similar claims resonated through the House.

"I believe that we were sent here by the American people last Nov. 8 to get the American government out of our faces," said Representative George Purdy Radanovich, a first-term Republican from California.

The House majority leader, Richard K. Armey of Texas, said:

"For 60 years, this ship of state has sailed in the wrong direction, to the left. With this vote today, we will turn the ship of state around to the right."

The legislation reaches back through more than 60 years of Democratic social programs, dating back to the New Deal, to come up with savings necessary to cut taxes by \$245 billion, reduce spending by about \$1 trillion and fashion a far more limited federal government over the next seven years.

It takes aim at the New Deal in abolishing welfare as a federal entitlement and at the Great Society in ending or sharply curtailing the poor's entitlement to health care under Medicaid.

Funds for these services would be limited and turned into lump-sum block grants to the states, which would have enormous discretion over who

gets what benefits.

In another rewriting of the Great Society, it limits the growth of spending for Medicare and opens the way for increasing privatization of the huge health program for the elderly by encouraging beneficiaries to join health maintenance organizations and other private health care organizations.

Farm subsidy programs dating back to the Dust Bowl years of the 1930s are also targeted for radical change if not total elimination.

While Republicans liked to talk about broad themes, such as Mr. Dole's evocation of "fundamental change" versus the "status quo," Democrats preferred to zero in on specifics, such as the mother who wrote Senator Patty Murray, a Democrat from Washington state, that her young son would not be alive today without his Medicaid-funded respirator.

"Every time you turn over another page something else ugly crawls out," said Senator Kennedy.

But, scathing as they were in their criticism of individual Republican proposals, few if any Democrats revived the themes of the 1960s and 1970s that hailed the role of an activist, expansive government in curing society's ills.

It seemed jarring when Senator Byron L. Dorgan, Democrat from North Dakota, rose to "put in a good word for what has been going on in this country for the past 40 years."

Do people really want to give up Medicare, electrification of farms, Social Security or the collective national will that "beat back the forces of fascism and Nazism?" Mr. Dorgan asked.

"Would they go to Tegucigalpa because the mail service is better?" he wanted to know.

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A Hidden 'Comfort Women' Chapter: The GIs

By Nicholas D. Kristof
New York Times Service

TOKYO — Governments have made plenty of outrageous requests of their citizens, but few are as remarkable as what the Japanese government secretly requested of tens of thousands of Japanese women 50 years ago. Six days after Japan's surrender in World War II, the cabinet met in the prime minister's residence to discuss "urgent measures" that had nothing to do with the atomic bombings or the millions of homeless people or similar national crises. Instead, the cabinet struggled with how to save the libido of American "sex-starved soldiers."

Fearing that the Americans occupying Japan would behave as Japanese troops sometimes had overseas, raping any woman or girl in sight, Japan's government set up a front organization to establish brothels for the Americans. The authorities asked patriotic Japanese women to sacrifice themselves as "comfort women" for the Americans. "We were told that our mission was to be a sexual dike to protect the chastity of Japanese women," said Tatsugoro Suzuki, who was then the 25-year-old manager of a restaurant. After two frantic weeks, using government help to obtain furs, Mr. Suzuki had turned the

restaurant into a brothel with 30 women supplied by the government. The charge to the soldier (only Americans were admitted) was the equivalent of 8 cents, and that included a bottle of beer. Half the take went to the woman and half to the house. "The Americans didn't know this was a government operation," Mr. Suzuki said. "That was a secret."

The 50th anniversary of the beginning of the American occupation has stimulated renewed interest in that chapter of Japanese history, and a television program has raised awareness and eyebrows with its program on Japan's own wartime

prostitutes. Internal documents of the front organization, the Recreation and Amusement Association, show that 55,000 women served in it. The figure includes some women who were secretaries, but presumably the great majority worked as prostitutes. "This really was necessary at the time, because we didn't know what kind of soldiers would come," said Tsunenori Ono, who was then a 29-year-old police official detailed to oversee the brothels. "It really seemed crucial to build this sexual dike."

The American military authorities nominally banned prostitution but made few efforts to enforce it. The Americans became agitated only when venereal disease rates soared, leading them to declare the Recreation Association brothels off-limits in March 1946. As a result, the association decided to close down. Other brothels, privately owned, did a booming business, but the Japanese government's role as a procurer ended after seven months.

In the last few years, the world has learned a bit about the Korean, Chinese and even Dutch "comfort women" who were forced to provide sex for the Japanese army abroad. Yet the Japanese government's efforts to gather Japanese prostitutes on behalf of American soldiers is much less known, although several Japanese-language books have been written about the episode.

There is, of course, an enormous difference in that the overseas "comfort women" were mostly Korean teenagers who were dragged away from their homes or fields and forced into front-line brothels. The Japanese women mostly volunteered for the job, albeit out of economic desperation, and they were paid several times the going rate in other brothels. Especially at the beginning, the Japanese women were primarily working prostitutes. Later, war widows and other women signed up because they had no other way to feed their families.

The association's internal documents, gathered by a Japanese writer named Akira Murase, who has written a book in Japanese about the brothels, refer to the prostitutes as "Okichi." It is a term laden with sacrifice, for Okichi was a 16-year-old girl sent in 1857 to be the mistress of the first American consul in Japan. Okichi was reviled by Japanese for her intimacy with an American, and so in despair she eventually drowned herself.

BRIEFLY ASIA

North Korean Spy Killed

SEOUL — After eluding a manhunt for three days, a North Korean infiltrator was fatally shot Friday morning when he tried to break through a tightening cordon of commandos on a thickly wooded mountain, South Korean authorities said. North Korea called the report a fabrication. The infiltrator, identified as Park Kwang Nam, had been on the run since Tuesday, when he escaped following a shoot-out that killed a South Korean police officer, wounded two others and left his compatriot, Kim Do Shik, in custody. South Korean officials promised even tighter security in the wake of the incursion and of another last week in which a North Korean infiltrator was shot and killed near the border. (AP)

Japan Will Aid Burma

TOKYO — Japan is ready to resume development aid to Burma despite reports of serious human rights abuses there, the Japanese Foreign Ministry said Friday. Officials from Japan and Burma will exchange documents on Japan's grants, totaling 1.52 billion yen (\$16 million), in Rangoon on Monday. Japan, which is Burma's largest donor, suspended aid in September 1988 following a military crackdown. Since then, Japan had limited help to small-scale humanitarian aid. Following the release of the opposition leader Aung San Suu Kyi in July, Japan agreed to restore development aid. Amnesty International said thousands of dissidents remain imprisoned. (AP)

Cult Leader Set for Trial

TOKYO — A religious cult leader charged in a nerve gas attack on Tokyo's subway retired his lawyer Friday, two days after he had dismissed him in what was widely seen as an attempt to delay the trial. Shoko Asahara, leader of the Aum Shin-rikyo cult, filed documents reappointing Shoji Yokoyama as his lawyer, a court official said. Mr. Yokoyama said in a television interview

that he had met with Mr. Asahara and decided to resume work on the case. Mr. Asahara was called into court Thursday to answer questions about why he had dismissed Mr. Yokoyama. The firing forced a delay in the trial, since Japanese criminal trials cannot start if the defendant has no lawyer. The delay on the eve of the trial caused a sensation in Japan, where many have been anxiously awaiting the trial's start. Many people suspected the cult had orchestrated the delay, and Mr. Yokoyama fueled those suspicions when he said cult members had urged him to remain in a hospital for at least a month after a car accident last week-end.

China Confers on Rights

HONG KONG — Chinese officials conferred with their Hong Kong allies Friday after a proposal to trim civil rights in the territory drew protests not only from China's detractors, but also from some supporters. An unusual gesture to Hong Kong public opinion, the meeting appeared intended to limit the damage caused by a China-appointed committee's proposal to curb the Bill of Rights after the British colony reverts to Chinese rule in 1997. About 100 members of Hong Kong's pro-China camp sat down to tea with three visiting Chinese officials at the offices of the Xinhua press agency, which operates as China's unofficial embassy in Hong Kong. The deputy director of Xinhua, Zhang Junsheng, said the meeting was called in response to "the large amount of discussions that followed after the proposals and ideas were made public." The proposal would repeal the power of the 1991 Bill of Rights to override other laws and amend amendments to other laws granting greater freedom of speech, broadcasting and assembly. Mr. Zhang referred to the proposal as preliminary, but there was no indication that China intended to reject it. (AP)

Colombo Calls for Cease-Fire Sri Lanka Sets Terms as Army Advances

Colombo — As thousands of Sri Lankan troops advance toward the rebel stronghold, the government has laid down conditions for resuming peace talks, a state-run newspaper reported Friday. President Chandrika Bandaranaike Kumaratunga has demanded a cease-fire, the surrender of some of the Tamil separatists' arms, and an agreement to negotiate within a specific time frame, the Daily News said. The paper quoted a speech Mrs. Kumaratunga made Thursday at a meeting of the Asia Society of New York. She had traveled to the United States for the 50th anniversary of the United Nations. In April, the rebels broke a cease-fire, and fighting in the 12-year civil war for a Tamil homeland has sharply escalated. Since then, at least 3,500 people have been killed, including 1,200 soldiers and 1,600 guerrillas.

"We were foolish not to lay down conditions" during the last peace process, the paper quoted the president as saying. Mrs. Kumaratunga said she still believed the war should end with a political solution, not a military one. In July, the government proposed giving provinces far more power to rule themselves, thereby allowing the Tamil minority more autonomy. But the government has refused to discuss its proposals with the rebels until they stop fighting. Meanwhile, the army, equipped with better weapons and the government's new determination, has amassed more than 35,000 soldiers in northern Sri Lanka, where most Tamil rebels are based. Troops have advanced to

within eight kilometers (five miles) of Jaffna City, the rebel stronghold. Thousands of Tamil civilians reportedly are fleeing front-line areas. The military says 127 soldiers and 500 rebels have been killed, and 310 soldiers and 1,500 rebels wounded in the offensive. Last week, the rebels blew up the country's two largest oil depots in Colombo, the capital. They also have attacked Sinhalese villages outside the war zone, killing at least 109 civilians in the last week. In the offensive, Sri Lankan troops are equipped with new guns, boats and aircraft acquired after the April truce ended. Most of the arms came from Russia, Britain, China and Eastern Europe.



HIGH-WATER DAYS IN THAILAND — A Buddhist monk fording a street in Bangkok on Friday. Some 231 people have died in Thailand's worst floods in decades.

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EDITORIALS/OPINION

Herald INTERNATIONAL Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

Argentina Cleans Up

Twenty years ago, the Argentine military personified state terror. In the "dirty war" that began in 1976, more than 10,000 Argentines vanished into the military's concentration camps, suffered unspeakable torture and were never seen again. Today the Argentine military is professional and respectful of human rights and civilian control. The largest challenge to Latin America's new democratic leaders is how to control their militaries; the Argentine transformation, led by the army chief of staff, General Martín Balza, deserves their attention.

General Balza carries authority within the military in part because of his conduct during the Falklands War of 1982, in which he was a genuine hero and then a prisoner of British forces. He first sprang to world notice last April with an extraordinary televised address in which he acknowledged that the military had tortured, killed and robbed during the dirty war, and said that soldiers who gave or followed immoral orders were committing crimes. (He himself spent the worst years of the war studying in Peru.) The speech helped push Argentina's president, Carlos Menem, to abandon his defense of the military's dirty war conduct.

Since taking over the army in 1991, he has brought important reforms. It is now a volunteer army, and women are soldiers. Half the students at the new Army University are civilians, and it has an almost all-civilian staff, countering the military's historic tendency to function in a self-enclosed bubble. The army is also a frequent participant in foreign peacekeeping missions. In Cyprus, Argentine troops have served in close association with troops from Britain, Argentina's historic enemy and the victor in the Falklands.

Today it is hard to find active-duty Argentine officers who identify themselves with the repressive military of the dirty war. Predictions are dangerous in a country that has seen 11 military coups in the last century, but experts say that civilian control of the military is stronger today than ever in Argentine history.

There is no better indication of the value of General Balza's ideas than the harsh criticism they have drawn from military leaders in other Latin nations. But the response inside Argentina proves they can attract military support. They are good for the citizenry, good for constitutional government and, ultimately, good for the military establishments themselves.

—THE NEW YORK TIMES.

A Bad Hand

Pop quiz: When a powerful U.S. senator plays poker with a group of lobbyists, what are the statistical odds that the senator will ever suffer a prolonged losing streak?

The New York Times revealed on Thursday that Senator Alfonse D'Amato, chairman of the Senate Banking Committee, used to play host to long-running Thursday night card games in his Capitol office. In these contests, the senator was pitted against lobbyists for the Securities Industries Association, Citicorp, credit unions and other industries regulated by the Banking Committee.

Senator D'Amato says that he was probably a net loser, and that the poker-playing ended at least four years ago because of his lack of spare time. Other players recalled that he did well (particularly when playing his favorite variation, the Alfonse Cross), and that there

were games as recently as 18 months ago. The public will have to judge whose memory is better, and whether Mr. D'Amato is right when he says the games were harmless social occasions.

The worst aspect of the poker story is not the suspicion that securities lobbyists may have taken an occasional dive while playing against the man they were paid to influence. Rather, the Thursday night games are a stark example of Mr. D'Amato's cozy relationship with the financial industry. "These people were all my friends," he said when asked about his fellow poker-players. "I wish I had more opportunity to spend time with my friends, but I don't."

Meanwhile, the nation's investors, who rely on Mr. D'Amato to protect their interests, may have to settle for solitaire.

—THE NEW YORK TIMES.

Labor's Chance

In the 1950s, one out of three employed Americans belonged to a union. Now it's fewer than one out of six — and in the private sector, fewer than one out of 10. That enormous erosion of membership and power has happened because of changes deep in the economy and in the background to the forced resignation last summer of Lane Kirkland as president of the AFL-CIO and the election this past week of John J. Sweeney to succeed him.

One great contribution of the AFL-CIO under Mr. Kirkland and Thomas R. Donahue, whom Mr. Sweeney defeated, was its valiant work on behalf of human rights in the United States and around the world. But the collapse of the Soviet empire seemed to diminish the political importance of the unions' work abroad, and for some years the great issue within the labor movement has been its shrinking base in the United States.

Mr. Sweeney promises to invest much oomph and energy in organizing. He says that he's prepared to use a kind of abrasive and confrontational tactic that the labor movement hasn't often employed in recent decades. Here in Washington, Mr. Sweeney and his Service Employees International Union are known for their Justice for Janitors campaign, which, for example, blocked the Roosevelt Bridge during rush hour one morning last month to protest the impending cuts in the city budget. It's open to question whether that style of advocacy is going to win unions much sympathy.

But some of Mr. Sweeney's achievements are notable. Under his leadership, over the past 15 years his Service Employees Union has nearly doubled its size. That violates all of the common wisdom about the future of labor unions, for his members are precisely the people — not highly skilled, working for low wages in the service sector — who are said to be most difficult to reach.

Organized labor may now have a historic opportunity before it, although it similarly violates the common wisdom even to hint it. Waves of layoffs and corporate downsizings have persuaded a lot of middle-class workers that they are more vulnerable than they thought, and the stagnation of middle-class wages is generating a rising uneasiness and resentment.

At a time when politics is swinging toward reduced responsibilities for government and leaving more decisions to markets, there may turn out to be a new appeal in the idea of collective action to

preserve some balance in the market for labor.

Whether anything like that happens depends on unions' ability to work with a generation of young Americans who are better educated than their parents and much more skeptical about large organizations. Mr. Sweeney's job is not to lead the labor movement back to the glory days but to address the questions of people who are badly shaken by the transformation of the companies that employ them.

—THE WASHINGTON POST.

Other Comment

U.S.-Japan Relations

One would think that the top priority following the vicious gang rape of a 12-year-old would be concern for the girl's health plus a determination to secure the maximum penalties for the perpetrators. Yet somehow the rape of an Okinawan girl, allegedly by U.S. troops stationed there, has become mixed up with calls for a redefinition of the U.S.-Japan Security Alliance in which that unfortunate child has become a useful pawn. And it should serve as a warning shot across the U.S. bow that its confrontational approach on trade issues may have unfortunate implications for a nascent Japanese nationalism that has the potential to make today's disputes look like a golden age of harmony.

Already there is no shortage of signs that the partnership — "the most important alliance in the world," says the Clinton administration — is not what it once was. The demonstrations in Okinawa against the U.S. bases are only part of the story. Within the United States, Japan-bashing has become a bipartisan sport, mirroring increasingly nationalist calls from prominent Japanese for Japan to dump Uncle Sam and go its own way. And we find it hard to believe that 10 or 15 years ago, a Japanese Finance Ministry would have withheld information from the Fed about the continued trading in bonds by a Daiwa Bank dealer who had racked up \$1.1 billion in losses.

We think we have made it clear by now that the primary responsibility for this state of affairs rests with the Clinton administration.

—Far Eastern Economic Review (Hong Kong)

U.S. 'Peacekeepers' Would More Likely Be Targets

By Charles Krauthammer

WASHINGTON — The first law of peacekeeping is that when you have real peace, you don't need peacekeepers. When both parties are in military equilibrium and have no intention of fighting each other — Israel and Egypt, for example — peacekeepers are nice to have but they are mere window dressing.

The second law of peacekeeping is that where there is no peace, sending peacekeepers is a disaster. When the parties remained unreconciled — as in Beirut or Somalia, for example — peacekeepers simply become targets.

The third law of peacekeeping is that Americans make the best targets. If you are unhappy with the imposed peace, there is nothing like blowing up 240 Marines or killing 18 U.S. Army Rangers to make your point. Killing Americans is a faster way to victory than killing your traditional enemy.

From which follows one of the rare absolutes in foreign policy: Never send peacekeepers — and certainly never send American peacekeepers — to police an ongoing, unsettled war. Yet President Bill Clinton long ago committed the United States to sending 25,000 peacekeeping troops to police a Bosnian peace.

He made this offer in his usual foreign policy way: unreflective offhandedness in

the service of expediency. And now, as a Bosnian agreement of sorts approaches, his bluff is about to be called. Must the country go along with his folly?

If in the coming peace talks at an air force base in Dayton, Ohio, Richard Holbrooke can manage to get the Serbs, the Croats and the Bosnians to agree to a real peace, one they will be satisfied with and truly respect, that would be wonderful. But why would we need Americans to police such a peace? Such a peace could be policed by Fijians or Pakistanis or Canadians wearing UN blue helmets or some other multinational attire.

Why are the Bosnians demanding American ground troops instead? Because none of the three vengeful, inbred parties expects anything resembling a real peace. They are not even pretending. Croatia, for example, announced just last Tuesday that if it does not get eastern Slavonia by the end of November, it will go to war with Serbia to get it.

At Dayton, the parties may grudgingly sign on to a "peace" that all know will amount to a limited, temporary cessation of hostilities — a hiatus long enough to allow the quick interposition of heavily

armed NATO and American ground troops. And then what?

And then, insanely, we Americans have made ourselves parties to the conflict. There will be no avoiding it.

Whom are we going there to fight, Congress asked administration spokesmen at hearings recently. The administration answer: just rogue elements of the different militias who might violate the agreements their political leaders had signed. But if any of the three parties sent regular troops against us, we would presumably just give up and get out.

As if giving up and getting out can be accomplished without needless casualties, self-inflicted humiliation and grave tensions with allies who might be left behind. And as if the job of housebreaking over-ambitious "rogue" militias is the job of the U.S. Army and not of the Balkan parties' own political and military leadership.

And what kind of neutrality — the one indispensable for any peacekeepers — are we bringing to the conflict? Our sympathies for the Bosnian government side are pretty obvious, particularly to the Serbs who have been on the receiving end of NATO air strikes and U.S. Navy cruise missiles. Even more absurdly, the administration intends to simultaneously "peace-keep" and arm and train the Muslims.

Let's be clear: U.S. troops will be in Bosnia not to peace-keep but to protect the Bosnian government side. Our job will be to serve as human trip wires for the Bosnians. If Serbs or Croats move against the Bosnians, they will henceforth have to roll over the bodies of Americans first — and risk involving the United States even more heavily on the side of the Sarajevo government.

Bosnia is about to see the transformation of an impotent UNPROFOR (UN Protection Force) into a heavily armed USPROFOR (U.S. protection force). And the administration knows it. Secretary of Defense William Perry boasts that our force in Bosnia will be "the meanest dog in town." But real peacekeepers are not supposed to be mean dogs. Real peacekeepers, like the ones in Sinai or Cyprus, are warm puppies. Their job is to carry binoculars and smile and reassure everyone. You send a heavily armed infantry when you are going to protect and enforce.

It is hard to think of a greater folly than trying to enforce a peace among unconciliated Balkan enemies. It is a folly that President Clinton's furl meanderings on Bosnia have backed us into, a folly that must be firmly rejected now before it is too late.

Washington Post Writers Group.

Don't Throw Good Money After Bad Politics in the Mideast

By Marwan Bishara

JERUSALEM — Ever since the Middle East peace process began four years ago in Madrid, there has been a quiet, but fundamental, tussle among the peacekeepers. On one side are those who think politics are the key to the future of the Middle East; on the other, those who think economics are the panacea.

In the "economic" camp there is a lot of talk about ambitious measures to buttress the peace agreement between Israel and its neighbors with free-market policies. Economic and trade liberalization, it's said, will translate into a more vigorous private sector, enhanced standards of living, broader popular participation and, hence, into a force for lasting political change in the region. Middle Easterners, like people who dwell in other prosperous regions, would have vested interests in stability. Profiting from peace, they would be disinclined to make war.

Those who give primacy to politics argue that such a vision, at least in the Middle East, is naive. They claim that only a sound agreement based on justice, law and, of course, security requirements — plus political reform and democratization — will enable the present formal peace to develop into a stable environment that nurtures economic progress.

This disagreement was evident during the first regional economic summit meeting in Casablanca, Morocco. It remains so on the eve of the second regional economic gathering, which will convene this week in Amman, Jordan. And, despite a lot of economic hype, the year just passed suggests that the long-neglected advocates of "politics first" may well have been right.

In fact, the economic benefits

of the peace process have always been oversold. And the inability to live up to popular expectations could jeopardize even the political agreements that already have been made.

For starters, we can forget the "peace dividend." Military budgets are growing, not shrinking. "Security needs do not disappear overnight," says Caio Koch-Weser, World Bank vice president for the Middle East and North Africa. "And even more modest force levels can be expected to incur new costs as they are modernized."

Thus, shortly after their peace agreement with Israel, the Palestinians find themselves spending most of their budget on security. Jordan is about to become better armed than ever before. Lebanon is expected to devote considerable resources to its army, to enable it to assert its control over the militants in the south.

And as for Israel, Egypt and Syria, all three maintain that their security needs reach beyond their borders. With powerful historical rivals like Turkey and Iran on the near horizon, and internal Arab relations in a jam, the Arab states' perpetual sense of insecurity will translate, as always, into higher defense spending.

Second, there's the matter of privatization and economic liberalization. According to the optimists, reduced external threats should allow policy reforms that were previously resisted, and as regulations and controls are eased, the private sector might be given more room for initiative.

But 16 years after peace with Israel, Egypt has yet to privatize the bulk of its state-owned compa-

nies. Run, as they are, by retired military men and friends of the ruling party, they are either "sold" to their managers at a very low price — or promptly go bust — or they are kept under government protection.

For Syria's Alawite regime, economic liberalization would entail further empowerment of the Sunni majority. Genuine democratization and far-reaching economic deregulation could easily lead to the demise of President Hafez Assad's regime, and he knows it. Among the Palestinians, Yasser Arafat has moved swiftly to control much of the self-ruled areas' economic activity.

Then comes the question of economic integration, which is supposed to benefit all the region's economies, including the weakest. Eberhard Rhein, the European Commission's director for the Mediterranean, Near and Middle East, stressed at a recent Middle Eastern economic gathering that "ideally" the parties "should progressively set up a system of regional free trade in which Israel will have to take the lead."

But it's not clear that Israel wants or needs most of its neighbors' exports. And the increasing focus of its trade is the big markets of Europe and Asia, not the dusty souks in its backyard.

With more than \$70 billion in gross domestic product, which equals the combined total of all its neighbors, Israel is even more of a powerhouse in the region economically than it is militarily. And it, alone, stands to make great gains from opening up the regional economy. The Amman summit meeting will, among other things, accelerate this process.

Lastly, it's hard to be optimistic about the flow of foreign aid and, most importantly, international private investment, which are both desperately needed everywhere except in Israel. World Bank officials say a substantially higher level of donor support is unlikely.

And in 1993, all the Arab countries combined, with the exception of Saudi Arabia and embargoed Iraq and Libya, garnered only \$337 million in funds from international capital markets; that is, roughly 0.4 percent of the total \$80 billion raised by all developing countries.

Investor skepticism is fueled by doubts about the ability — or desire — of governments to carry out self-reform, promote individual freedoms and regulate markets equitably.

Even areas where some fragile economic progress does appear to be under way, such as tourism developments in Israel and Jordan, remain dreadfully vulnerable to the unrest and terrorism that spring from continued political instability. Further incidents like recent suicide bombings in Israel, or the 1994 attack in the Hebron mosque, would shake the confidence of the most optimistic investors.

And the central points of political friction, Jerusalem and Israeli settlements, show no sign that they will just fade away. They are political, moral and religious issues. Failure to resolve them has been a plague on the region for generations, and they won't be cured by economic pabulum.

In fact, more violence is a certainty. In the Arab world as a whole, the forces opposing the current peace process are on the march and showing no signs of

fatigue. Disillusioned Palestinians in the diaspora, Jordanian labor unions, all the Egyptian opposition parties, Syria's government and probably most of its population, and the people of the Gulf committed by faith and their traditions to oppose Zionism — all are uneasy with the existing peace accords or actively hostile to them.

The problem is not just Islamic fundamentalists. Opponents of the peace include nationalists and leftists. And under such circumstances, democratization, which is supposed to help peace, could unleash even stronger opposition to it.

Advocates of the "economic" approach preach a gospel that "democracies don't make wars." But in the Middle East, there's no reason at all to believe that real democracies would make real peace. And thus far, the dose of "normalization" given the Arabs by their leaders hasn't so much been doled out with a silver spoon as rammed down their throats with a feeding tube.

The spectacle of continued violations of human rights in Arab states after the signing of peace agreements, coupled with an utter failure to address the problems of hundreds of thousands of stateless Palestinian refugees in Jordan, Syria and Lebanon, will be looked at as too clear and present a risk for many serious investors. And out without cause. As most business people know, but some of the region's leaders seem to have forgotten, there's no sense throwing good money after bad politics.

The writer, director of the Jerusalem Council on International Relations, contributed this comment to the International Herald Tribune.

Next on the World Court's Docket: Are Nuclear Arms Legal?

By Brahma Chellaney

NEW DELHI — The International Court of Justice in The Hague will start public hearings Monday on a case that will have a profound impact on the future of nuclear disarmament. The judges have to decide whether the threat or use of nuclear weapons is prohibited in any situation under international law.

While international conventions have been created that outlaw chemical and biological weapons and certain conventional arms considered to be inhumane, the true weapons of mass annihilation continue to be treated as legitimate — a position strengthened by the indefinite extension in May of the NPT, the Nuclear Nonproliferation Treaty, which is intended to stop the spread of nuclear arms. In effect, the NPT legitimizes the arsenals of the five declared nuclear powers: the United States, Russia, China, Britain and France.

The World Court ruling, due to be announced by the end of January, holds the key to disarmament because there is no international agreement outlawing the threat or use of nuclear weapons. Nor can such a pact emerge in the foreseeable future since it would conflict directly with the strategic interests of the leading powers and their allies.

The security of the major powers remains inextricably linked to nuclear weapons. Four of the five declared nuclear powers continue to pursue offensive military strategies based on the first use of nuclear arms: the fifth, China, has pledged it would not be the first to strike but has said such a policy specifically excludes its foe, India, which Beijing clearly suspects either has a secret stockpile of nuclear weapons or could quickly build them if the need arose.

A ruling from the world's supreme judicial organ that the threat or use of nuclear weapons is illegal would provide the legal and moral basis for general nuclear disarmament. The cause of disarmament has been hurt as a

result of exaggerated claims about the significance of various nuclear arms reduction accords and by U.S.-Russian failure to begin negotiations on deep cuts.

The court will consider two questions. The World Health Organization, an affiliate of the United Nations, asked the court in May 1993 to rule on the following question: "In view of the health and environmental effects, would the use of nuclear weapons by a state in war or other armed conflict be a breach of its obligations under international law, including the WHO constitution?"

In December, the UN General Assembly adopted a resolution asking the court to consider the question: "Is the threat or use of nuclear weapons in any circumstance permitted under international law?"

The unambiguous nature of the questions has made this a historic case. If the judges were to find the threatened use of nuclear weapons in any situation illegal, it would open to question the lawfulness of the major powers' deploying nuclear weapons outside their own territory. The issue is doubly important at a time when expansion plans of the North Atlantic Treaty Organization call for new East European members to allow the possible stationing of nuclear arms on their territory in exchange for coming under the protection of the alliance's nuclear umbrella.

The future of civilization will always be uncertain while nations with nuclear weapons pursue military strategies that rely on first use of such arms. China, NATO and Russia continue to deploy battlefield nuclear weapons. The world has been fortunate to escape further atomic destruction since Japan was bombed in 1945.

The United States has considered re-employing nuclear arms on several occasions. Former President Richard Nixon acknowledged in 1985 that there were three other instances, be-

sides Vietnam, when he had considered using nuclear weapons.

The Hague and Geneva conventions state that when a weapon or method of warfare is not specifically forbidden, the "dictates of public conscience" shall apply. The court, implicitly acknowledging the extralegal nature of the case, has agreed to entertain "declarations of public conscience" from citizens' groups. More than a million such individually signed declarations are being presented to the court, saying that the threat or use of nuclear weapons would "violate international law and human rights, and as such is contrary to the dictates of public conscience."

Before the oral hearings were scheduled, countries were allowed to make written submissions. Six nations, including four of the five declared nuclear powers — the United States, Russia, France and Britain — submitted that the use of nuclear weapons was not unlawful, arguing that such arms drew legitimacy from existing treaties, including the NPT.

Twenty-eight states said that the threat or use of nuclear weapons was illegal. Nine countries, most of them under the protection of the U.S. nuclear umbrella, declined to address the issue of legality; instead, they sought to question the competence of the court, or the appropriateness of the forum, to rule on the matter. Ironically, Japan — the only state ever to have been a victim of an atomic bombing — prepared a similar submission. However, its link to the Japanese press caused a national furor and forced Tokyo to reverse its position.

That China failed to make a written submission is no surprise, since its clever diplomacy calls for safeguarding its nuclear prowess while pretending to side with nonnuclear states and their concerns. More conspicuously absent is a submission by Canada, the chief sponsor of the indefinite

extension of the NPT — an act the court has been told legitimizes nuclear weapons.

If the court were to declare the threat or use of nuclear weapons contrary to international law, it would strike at the very roots of nuclear deterrence. Although direct and immediate impact on current nuclear doctrines and strategies cannot be expected, the ruling would help remove the legitimacy of nuclear arsenals and strengthen a proposed resolution from the Nonaligned Movement in the UN General Assembly, which calls for negotiations on a convention to set a deadline for eliminating nuclear arms and for pledges of nonuse by holders of such weapons in the meantime.

The court's ruling will be in the form of an advisory opinion. It will be up to the UN General Assembly and the WHO to decide

how to implement the decision. But whatever the outcome, it will have far-reaching implications for the rule of law, the conduct of warfare and the future of the United Nations and nuclear disarmament.

The writer is professor of security affairs at the Center for Policy Research, an independent think tank in New Delhi. He contributed this comment to the International Herald Tribune.

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IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1895: Cuban Rebels

MADRID — The *Impartial* publishes an account of an interview between its Cuban correspondent and Marshal Martinez Campos. The Marshal states that he should be conciliatory and indulgent to those rebels who submit to his policy. Referring to the United States, he said it would not surprise him if they recognized the rebels as belligerents when the internal policy of the United States required it. That did not alarm him, for then Spanish vessels could arrest all suspicious vessels and in the event of the United States sending troops to aid the rebels, there would be a real battle.

1920: Heroic Barman

NEW YORK — A scene rivaling the Wild West plots of some popular moving pictures was staged in Hollacher's saloon on Columbus avenue. Two bandits entered the café and ordered the bar keeper to

hold up his hands. Andrew Hollacher, tending bar, offered to produce the money of the café. While covered by the intruders, he opened a till but produced a revolver instead of money and opened fire, quickly shooting both bandits in the head, but not before he himself was shot in the side. He will recover but the bandits will probably die.

1945: Small Evacuees

LONDON — "Operation Stark," the code name by which the British designate their evacuation of German children from Berlin, had its D Day when 1,277 young Berliners were bundled into 53 omnibuses and sent off to rural areas in northwest Germany for the winter. The British are carrying out an evacuation on the grounds that the children are better off out of a large city in difficult times and that they will be better fed and better housed in a rural community. The evacuation is on a voluntary basis.



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International Herald Tribune, 181 Avenue Charles de Gaulle, 92521 Neuilly-sur-Seine, France.

Tel.: (11) 41.43.93.01. Fax: (11) 41.43.92.10. Ad: (11) 41.43.92.12. Internet: IHT@earthlink

Editor: Dr. Aziz Michael R. Henderson, 5 Cambridge Rd., Singapore 9511. Tel: (65) 472-7788. Fax: (65) 27-2334

Singapore: Dr. Aziz Michael R. Henderson, 5 Cambridge Rd., Singapore 9511. Tel: (65) 472-7788. Fax: (65) 27-2334

Gen. Mgr. Germany: T.S. Bauer, Frankfurt, 15, 60323 Frankfurt, Tel: (49) 71 47 55. Fax: (49) 71 47 73 10

Pres. U.S.: Michael Cunniff, 800 Third Ave., New York, N.Y. 10022. Tel: (212) 755-3900. Fax: (212) 755-4093

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Arts & Antiques

Dealers Rule Chinese Art Eskenazi Show Underlines Power Shift

By Souren Melikian

LONDON — No power balance is ever permanent in the art market any more than in other world contests. But for Chinese art specialists performing in auction houses, change cannot come too soon. In the past five years, dealers have been gaining the upper hand in the competition on the Chinese art front.

As the elite of the collecting world, mixed with a few distinguished guests from academia, streamed into Eskenazi's private viewing of "Early Chinese Art: 8th Century B.C. — 9th Century A.D." on June 5, the thoughts of auction house specialists mixing with the crowd must have taken a nostalgic turn. The sight of the 47 works of art included in the selling show, which opened to the public on June 6 and ended on July 8, might have reminded them of the good old days when auction houses led the race and dealers trailed well behind. As Eskenazi's monthlong show came to an end, his sales added up to more than \$4.5 million (\$7 million), more than either Christie's or Sotheby's early in June. In the next two months, works valued at \$2.5 million more were sold, raising the total far above that of the two houses.

This is not surprising. Nothing in their auctions came anywhere near some of the extraordinary pieces seen at Eskenazi's.

Indeed, no public sale held within the living memory of collectors ever offered a major group of figures revealing a hitherto unknown school of early Chinese sculpture.

Six gray earthenware dancers, retaining most of their original polychromy, did precisely that. Dating from the Western Han period (209 B.C.-9 A.D.), they may well be the work of a single artist. The stylization of the bodies, the expressions on their inscrutable masks and the feel for movement set them apart from any known Han figures. On the opening night, a Swiss connoisseur bought three of them at one go, each with a price

tag in the region of £120,000.

A Belgian bought a fourth figure — slightly smaller, slightly less expensive — the asking price was £110,000.

This was the second time in five years that a new school of Chinese sculpture was thus revealed in a dealer's gallery.

James Lally of New York did it first. In a selling exhibition that opened on May 31 and lasted until June 23, 1990, Mr. Lally displayed a group of six wooden figures, probably dating from the 8th century A.D. Carved with a fluid elegance, these were very different from Tang pottery figures, the only ones that would provide a basis for comparison.

Here, the success story was even more clear cut. At the opening, a lady of the court and a man in a double-breasted tunic were bought by a collector for a price close to \$600,000. All six figures went within days. By the end of the show, Mr. Lally said, sales added up to about \$3.5 million. This was at the time when the art market crisis was brewing, making the score all the more remarkable.

In a follow-up that is revealing of the way in which the market operates, two more Tang wooden figures turned up in November on the stand of Gisele Croes of Brussels at the Paris Antique Dealers Biennale. They were arguably even more beautiful and were sold at once. The prices were said to be respectively \$100,000 for a wonderful but poorly preserved feminine statue of which the lower part has shredded away, probably as a result of humidity, and \$120,000 for a standing figure of a court lady, hands folded over her robe. The buyers, Gisele Croes said in an interview, were a Swiss and a Belgian collector.

There is an ironical footnote to the Tang group discovery. As Mr. Lally candidly said later, the group lay in a dark corner in Hong Kong for two years, available at a fraction of the prices later paid for single pieces — no one quite knew what it was. Apparently, the doubts have now evaporated. So have the pieces.

The string of surprises in Chinese sculpture does not stop there. In June this year, Eskenazi showed a group of three terracotta statues with painted polychromy that displayed a level of sophistication and precision hitherto unknown in Tang earthenware figures, glazed or unglazed. Entirely

modeled without resorting to molds, these too reveal a new aspect of Tang art. A standing lady of the court with a subtle expression on her features and an unusual posture — the hands instead of being concealed in the sleeves according to Chinese tradition, are crossed, one hand clutching the other wrist, in the age-old Iranian attitude of deferential waiting — was sold to a Japanese agent. With a price tag said to be more than \$500,000, this sets a world record for Chinese unglazed terracotta figures from Tang China.

The other two figures were even more interesting but they had the commercial misfortune of depicting men, not women.

These seem cheap, by comparison, at around \$60,000 each, paid by a New York collector.

For strange as it may seem, the prize goes to a Han wooden figure with a face suggestive of 20th century Expressionist sculpture under the influence of African art. Another New York collector who could not attend the show was fascinated. He wanted to see the piece before committing himself, and having done so in mid-September, acquired the \$100,000 object forthwith.

It all highlights the reasons why dealers are getting ahead of auctions. Firstly, no auction house expert could have taken it upon himself to put up in his sale these previously unknown groups of sculpture. The fear that potential buyers might be too surprised and scared would have inhibited him. And, assuming that the auction house expert would be prepared to take the gamble, the vendor would not.

Secondly, the Hong Kong dealers want instant cash. For them, the auction house procedure spread over months simply won't do. They only let them have the lesser stuff that they cannot sell to their American or European colleagues.

Thirdly, the way in which a gallery operates lends itself much better to selling hitherto unknown objects that require research and double checking. The psychological pressure of having to say irrevocably "yes" as the hammer comes down is too stressful.

The story of a striking parcel-gilt cosmetic casket described by Eskenazi as a Tang object dating from the mid-9th century is illuminating in this respect. Even before the private viewing



A massive bronze taotie mask and ring handle, from the Han dynasty.

Fairs Overtake Other Outlets

By Souren Melikian

NEW YORK — Last year, a new five-day Fine Art fair opened on May 13 at the Armory, the New York venue for ambitious commercial art shows. There was little fanfare and the presentation was understated. But it was a major event.

Walking through the orderly avenues without frills, visitors familiar with the yearly fair held in early March at Mass-Strick were struck by a similarity in tone with the paintings section. A big difference lay in the fact that in New York the focus was exclusively on the fine arts, as opposed to objects.

The second difference was one of quality. It was surprisingly high.

At Richard Feigen's, one could gaze at a rare triptych of the Cologne or Mainz school with a "Lamentation of Christ" in the center, Saint Barbara on the left wing, and Saint Catherine of Alexandria on the right wing. Last seen publicly in 1950 in Indianapolis at the John Herron Art Museum, in the show "Holbein and his Contemporaries," it was then ascribed to a painter dubbed the "Master of the Krainburg Altar." Now it is merely called the work of an anonymous master working somewhere between Cologne and Mainz in the late 1480s.

This is a rarefied picture of a kind one expects to be shown behind closed doors in a gallery rather than in a fair.

On Bob Haboldt's stand, there was another rarity, the portrait of a young black boy dressed in 18th century French court costume done by Marie-Victoire Lemoine in March 1785. It is believed to depict a young page at the French court named Zamor. The price was

not gigantic — \$225,000 — and an American museum bought it.

Equally unusual was a magnificent pastel done by Delacroix in 1855. The free study of seething vegetation and flowers in springtime done in the garden of Antoine Berryer at Augerville near Malesherbes, was priced at only \$85,000, partly because that is not the style usually associated with Delacroix, but partly too because the dealers were making a conscious effort in be attractive to buyers.

If the first New York Fine Art Fair looked fine, the second one held last May was astonishing. This time, the world's leading dealers came en masse. Martin Summers and Desmond Corcoran, the two partners who own the Lefevre Gallery, a world power in the Impressionist and Modern Masters market, were there.

So were Julian Agnew of Agnews and Tim Bathurst of the Artens group. Nor was their presence the result of some sudden English craze for the Eldorado of the New World art market. Leading French galleries that had missed the first fair there too — Huguenot Berès, Philippe Brame of Brame & Loreceau, and a few more.

This could not be accounted for by a sudden desire to get exposure to the American clientele. Mrs. Berès and Philippe Brame have been traveling to the United States for more than four decades. Their names are well known here. So is that of Waring Hopkins, an American who has been dealing out of Paris in the Galerie Hopkins Thomas for two decades, and was at the fair last year and this.

The need for such well-

Continued on Page 9

Continued on Page 9

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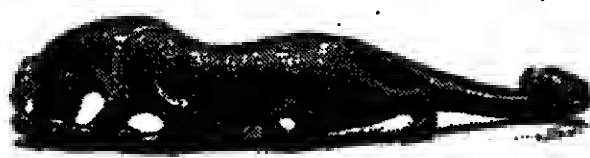
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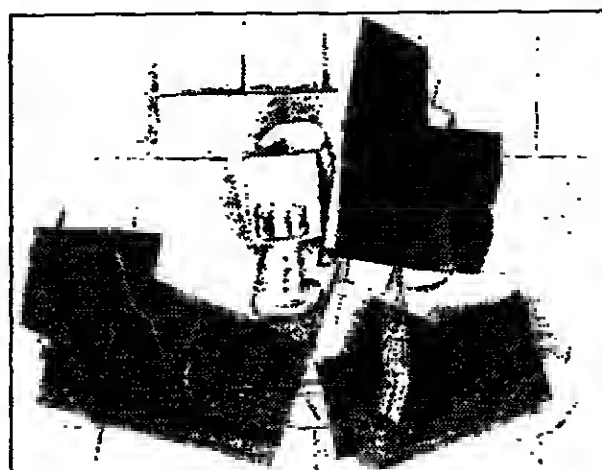
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ARTS & ANTIQUES / A SPECIAL REPORT

Collectors Still Want Impressionists, but Only the Best Works

By Souren Melikian

NEW YORK — The market for Impressionist and Modern Art is booming, but the message is lost, drowned in the numbers of pictures unsold because they are unsalable. Never was the fundamental vigor of a sector so clouded by the pranks played by speculators and by the excuses tossed about by auction house PR offices eager to prove that they can do so wrong.

Last spring, that vigor was repeatedly demonstrated in sales held at Sotheby's and Christie's from May 8 to 10. On May 8 at Sotheby's, 44 of the 46 pictures were snapped up by the buyers, as if nothing could quench their thirst for Impressionist and not-so-Impressionist art.

If one lot could have been

doomed in the context, it was the oil sketch of a man's head seen three-quarters back by Degas, who did it while in Rome in 1857. The paint surface does not cover part of the canvas, which is always a handicap. Yet the sketch went over its high estimate, ending up at \$129,000 on account of its sheer beauty — this period of the artist's career is underrated because it precedes Impressionism and is therefore not seen as "characteristic" of his oeuvre.

But as goods get rarer, buyers are extending their search far beyond the limits of what is "characteristic." The early phase of Picasso's work, disregarded in the early 1970s, is now treated as top-grade merchandise. Had the portrait of the artist's friend Angel de Soto, painted in 1903, in a style that is more academic than Fauve, been offered then, it might not have sold. On May 8, it brought a mind-boggling \$29,152,500.

A little later, the yearning for pictures by famous artists that can be claimed to be "important," even if they do not rank among their masterpieces, was highlighted by the \$14,852,500 paid for Matisse's portrait of a bare-breasted woman seated cross-legged, arms raised over her head, "La Pose Hindoue." While the picture may not be his greatest, it set an auction record for the artist.

True, some paintings were allowed to sell under the lowest estimates. But far from pointing to a weakness of the market, these illustrate the desperate shortage of goods for sale — in the old days they would never have been allowed in "Part I" evening auctions.

A portrait whose sole merit lies in Cézanne's signature



This Picasso portrait sold for \$29 million.

must be considered miraculously well sold at \$376,500 even if this is less than the expected \$500,000 to \$700,000.

In short, the sale of the uneven collection formed by Donald and Jean Stralem was a resounding commercial success.

Because Sotheby's had probably committed themselves to obtain a global price, Simoo de

Pury, while conducting the auction, had the freedom to lower reserves on the spur of the moment as individual works clearly overestimated came up and let the market follow its natural course. That night, the natural course meant instant readiness to buy anything good and willingness to pay gigantic prices at the top, marched by an instant

rejection of the daubs, of which there were quite a few.

That verdict was borne out two days later when Christie's dispersed the collection of Mr. and Mrs. Ralph Colin and sold every single one of the 76 pictures and drawings for a total \$34.5 million (\$22 million). Here too, records were set with works that were not the greatest within the concerned artist's oeuvre.

That was the case with Modigliani's "Nu au collier," painted in 1917, which lacks the vigor and depth that the artist managed in the next three years of his life, but sold for \$12,432,000.

Dealers bought avidly. Ernst Beyeler of Basel acquired Joan Miró's "Au Cirque," dating from 1925, for \$1,927,500, and later indulged in the pleasure of retrieving a Dubuffet, "Le gai savoir," painted between July 31 and Aug. 2, 1963, which he had sold to the Colins on Nov. 28, 1964.

Collectors were just as eager. Their keenness could be gauged by the surprising success of a superb but highly "uncommercial" Vuillard. The interior scene, done in dark tones, features the artist's own family having a meal in 1892. Austere and rarefied, the work, which could easily have failed to find a buyer at its estimated level, was hotly disputed and sold to an American collector for more than \$1.5 million.

The pleasure of buying works out of the market for decades played its part. But, contrary to the cherished tenet of the artistically illiterate, the fact that these were "single-owner collections" was not per se a significant factor, as could be seen when the 68 Impres-

sionist paintings and drawings from the estate of Mrs. John Barry Ryan came up at Sotheby's on May 9. Of these one-quarter failed to find takers.

No one wanted a confused view of Auvers painted by Pissarro in 1877. It went under at \$875,000 against an estimate improbably set at \$1,250,000 to \$1,750,000. A small oil sketch of "Le Vieux Port, Marseille" by Renoir, clearly a failed essay left lying in a corner of the artist's studio, dropped dead at \$170,000. Its \$400,000 to \$600,000 estimate scornfully ignored.

Failures such as these were not remotely related to any "weakness" in the market, as is so often claimed when low-grade art is bought in. Sandwiched between the spurned Renoir and the discarded Monet, another Monet landscape with the church at Vernon, painted in 1883, very pleasing but not unforgettable, edged its way up to a huge \$3,742,500.

The late June sales in London clinched the demonstration. Never did the market appear readier to absorb any good works of the Impressionist and early 20th century schools.

Equally, its propensity to kick out the no-hopers now being pumped into the auction circuit by owners convinced that the growing demand for good pictures warrants the upgrading of duds, was made glaringly clear.

On June 26, Christie's big brass looked crestfallen as their Part I auction ended with 31 percent of lots stranded. But looked at dispassionately, the sale could not have done better.

Ironically, the one work that can be argued to have been slightly undersold is the one that pleased them the most. The

view of the Rouen cathedral done by Monet in 1894, which went up to \$7,591,500 is one of the most beautiful ever in the series of cathedral facades done in changing lights. On the other hand, no connoisseur would have looked twice at most of the rejects. But with final sales adding up to over \$27 million, there was no question of a shortage of cash on the market. A day later, Sotheby's topped it with a \$28.1 million auction.

If 26 percent of the pictures were unsold, this is essentially because they were, indeed, utterly undesirable. Who wants to live with a kitsch picture of a peasant girl rolling her eyes as she carries on her arms a small goat, even one enhanced by Gustave Courbet's signature? That this elicited no bids is a compliment to the market.

Not that buyers are unwilling to make allowances. Stride Gauguin landscapes of the Tahitian period have become a rarity.

"Tahitiennes près d'un ruisseau," done in 1893, suffers from an excessive expanse of green with little detail painted in, probably because it was abandoned before being finished. In an earlier age, it would have had a rough ride. Sotheby's managed to get \$5.5 million for it.

In a nutshell, demand has never been so high. Supplies, now thinning to a trickle, will probably have dried up, or nearly so, within the next two decades.

The market in effect, is winding down when looked at from the cultural historian's perspective. As it does so, the better works are snatched up and the number of duds passed off as presentable pictures rises. And so does the percentage of unwanted debris.

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Opening a Time Capsule Near Rome

By Roderick Conway Morris

ROME — Seven years ago, after lengthy negotiations, Prince Agostino Chigi agreed to sell his historic summer Palazzo at Ariccia, complete with its contents, to the local municipality for 7 billion lire (\$4.4 million).

Ariccia is one of the Castelli Romani, the 13 little towns that dot the picturesque, volcanic Alban hills that rise abruptly from the plain just south of

Rome. The area's lakes, vine-covered slopes and refreshing breezy climate made it a popular summer resort in ancient Roman times. During the Renaissance, popes and the Roman nobility favored the region again, building numerous villas and palaces — the most famous of which, Castel Gandolfo, is still the Pope's official summer residence.

Palazzo Chigi, which is close to Castel Gandolfo, occupies a spectacular position by a deep gorge overlooking the plain and the sea. The building takes up an entire side of Ariccia's spacious piazza, on the opposite side of which stands the great baroque sculptor-architect Bernini's homage to the Pantheon in Rome, the church of Santa Maria dell'Assunta. Behind the palazzo is a wild woodland park, which, with its ravines, grottoes and fountains, captured the imagination of many a romantic writer and artist who passed this way when the old road to Naples and the south of Italy wound its way through Ariccia.

What makes the public acquisition of the palace significant is not just the building's architectural aspects but the fact that, internally, it is an ex-

traordinary time capsule, in which astonishingly little has changed since the Chigi, who originally came from Siena, bought the house in the mid 17th century and, with the help of Bernini and his team, transformed the old medieval and Renaissance castle into a grand baroque edifice.

Over the centuries, the Chigi gained a reputation for closely guarding the privacy of this retreat and when, for example, the German poet Goethe came here in 1878, he had to content himself with peering through "a little lattice pane" into the park. This seclusiveness was maintained into the most recent times and turns out to have been combined with a reluctance to alter almost anything from the times when, between 1655 and 1667, the Chigi Alexander VII sat on the papal throne (during whose reign the family bought the palace in 1661, attracted, among other things, by its proximity to Castel Gandolfo).

"Even the last Principessa was very possessive about the place and so virtually nobody was allowed in," said the architect Francesco Petrucci, who is now in charge of the state-assisted 6 billion lire restoration program. Mr. Petrucci wrote a

graduation thesis on Palazzo Chigi, and became an important contributor in the efforts to buy and preserve the building and its gardens.

"When I was studying the palazzo, I got to know the prince a little and did what I could to persuade him of the enormous value of leaving this legacy intact," Mr. Petrucci said. "There is no question that he would have made more money by selling off the contents piece by piece, but he had the sensibility to understand what a unique case it represented as it was."

Although repair and restoration will continue for at least a couple of years, for the first time both the park and parts of the house are now open on request to the public throughout the year (and the park without advance booking on Saturdays and Sundays from May to October next year).

Curiously an exception was once made when the palazzo's jealously guarded portals were opened for Luciano Visconti to shoot scenes for his masterpiece "The Leopard" (1963). Visconti was obsessive about authenticity and had spotted interiors here that he could no longer find even in Sicily. "The point is that the Visconti, too, were an ancient noble family and had a villa at Castel Gandolfo, so the two families knew each other," Mr. Petrucci said.



The summer dining room in the Ariccia palazzo.

Stepping inside the palazzo is like passing through a time warp. Some rooms have their original stamped leather wall coverings, a Spanish fashion in vogue in Italy in the 17th cen-

tury (the stamps used to manufacture them have even been found stored in a lumber room). Perhaps the most charming room is the bright and airy summer dining room with its delicately frescoed walls and abundant *trompe l'oeil* bird life and rustic vistas.

The preserved-in-aspic coexistence of the pious and the sensually risqué in an aristocratic household whose members were constrained by their rank to behave with decorum in public but were free in certain cases to indulge their chosen peccadilloes in private is striking.

The paintings in the palazzo alone, many of which have never been catalogued, promise not only to bring to life the past personalities of the household, but also to clarify the styles and attributions of several leading artists.

It is now intended that Palazzo Chigi should become both a museum and a center of baroque studies, and a venue for lectures, conferences and concerts of music from the period.

Palazzo Chigi and its park can be viewed by appointment by applying to Mr. Di Felice at the Comune di Ariccia (tel: 06 934851).

RODERICK CONWAY MORRIS is a writer in Venice.



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Three of the many self-portraits Arnold Schoenberg made when he turned to painting at a crucial point in his career.

Arnold Schoenberg's Many Faces

By Michael Gibson
International Herald Tribune

PARIS—Although Arnold Schoenberg was acknowledged by his peers as one of the major young talents of his day, starting in 1907, at the age of 33, he went through a life-crisis in relation to his art, his social position and his personal life. It was then that he turned to painting—an art he practiced quite intensively for several years and never entirely gave up.

The revealing little exhibition of 70 paintings and drawings at the Musée d'Art Moderne de la Ville de Paris (to Dec. 3), provides an unusual insight into a critical phase in the history of Western culture and of the composer's own creative life.

Schoenberg had just begun venturing into the terra incognita of non-tonal composition and his new work had been received with outrage. He was not sure of where he was going and he had not yet elaborated a theory to steer by—that would only come much later, in the '20s.

Meanwhile the surprising—almost terrifying—novelty of his music had completely cut him off from contemporary audiences. He was frequently and viciously attacked in the press which published numerous caricatures of him, many of them viciously anti-Semitic.

Nor did the man's intransigent character sit well with his colleagues. All this made it increasingly difficult for him to provide for his family. Casting about for other ways of

earning money, he thought for a while that painting might be the answer.

The family crisis arose out of his friendship with Richard Gerstl. A gifted young painter nine years his junior, Gerstl had approached Schoenberg in 1906 to paint his portrait. Schoenberg accepted.

In the summer of 1908, Schoenberg caught his wife Mathilde in bed with Gerstl. They both immediately left the house. The composer threatened suicide. His pupil Anton von Webern, acting as mediator, persuaded Mathilde to return to her family. A few months later, Gerstl, seated before a mirror in his studio with a rope around his neck, drove a knife through his heart. His death haunted the composer for many years.

Schoenberg—self-taught even in music—was an extraordinarily gifted man with the highest possible idea of his calling. He perceived himself, potentially at least, as a genius. In other words as a man who sees the future: in effect a prophet. As can be seen from his self-portraits, and from works evolving out of this form which show only staring eyes in an abstract space, this matter of vision is of supreme importance. The eye here is clearly a symbol for the spiritual insight Schoenberg knew was his by right.

His paintings have an obvious amateurish awkwardness about them. The hand failed to keep up with the idea. But they also reveal the man's fierce intensity, his anxiety, his burning desire to bring forth a new world. What the self-portraits also reveal is

the poignant efforts of an exceptional personality, assaulted on every side, uncompromisingly striving to define himself in his prophetic capacity as he looks critically at his reflection in the mirror.

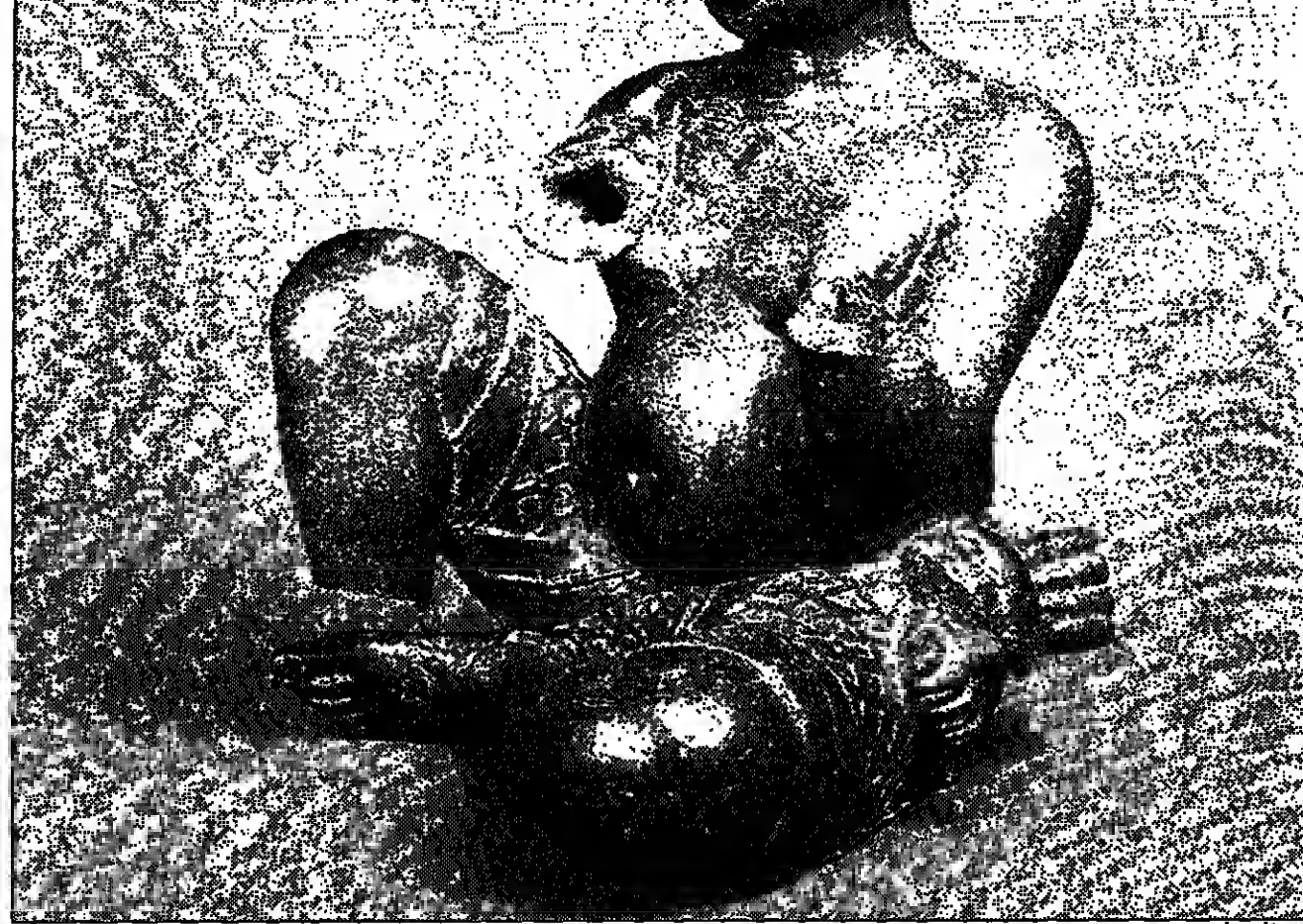
One of the more affecting self-portraits (painted in 1911) shows the composer walking away from the viewer, stooped-shouldered, bald, hands joined behind his back and holding a cane (the rod of Moses, no doubt), stumbling stubbornly down the murky street of his own time. Small, almost unnoticeable sparks dance about his head.

MANY of the paintings evoke a mood—often a dark and haunting one; dark streets, somber sand dunes, a shapeless obscurity—precisely the sort of world in which only a selfless seer with burning eyes can hope to find his way.

In 1911, Schoenberg received an unexpected letter from the painter Vasily Kandinsky who had recently attended one of his concerts: "Our aspirations and our ways of thinking and feeling have so much in common," it declared.

It was the beginning of a friendship. Kandinsky also praised Schoenberg's paintings: "Schoenberg depletes his 'defective technique,'" he wrote. "Schoenberg is wrong—he is not dissatisfied with his pictorial technique but with his inner desire, with his soul from which he demands what it cannot give him. This is a dissatisfaction I would wish every artist—for all times."

In London, The Riches Of Africa



A bronze seated figure from the 13th or 14th century is one of the African masterpieces on show in London.

By Alan Riding
New York Times Service

LONDON—The Royal Academy of Arts heard all sorts of reasons for not organizing its new exhibition, "Africa: The Art of a Continent." The show would revive the debate about whether work done by African craftsmen was really art. It was certain to remind people that after centuries of plundering, much of Africa's best art is no longer to be found in Africa. And there was the big question: By tackling an entire continent, was not a former colonial power once again "talking down" to Africa?

But the Royal Academy went ahead anyway. This exhibition, which was organized as the central event of a three-month festival of African arts in Britain called Africa 95, presents 830 examples of the artistic legacy of hundreds of African tribes, dynasties and subregions from prehistoric times until early this century.

It has been hailed by British critics as a turning point in the West's understanding and recognition of African art. Until now, African pottery, wooden carvings and textiles had been viewed essentially as handicraft because, it was argued, the religious, military, sexual or decorative functions of the works suggested that they had not been created as art, to be appreciated for their own sake.

Even after "primitive" African art inspired Picasso, Brancusi, Braque, Modigliani and Henry Moore earlier this century, it was its magical and mystical quality that counted most. But at the Royal Academy, objects made by African hands are separated from their cultural context and can be judged simply as art. "This is great art, all of it, and this is one of these rare exhibitions that change perception and understanding forever," William Packer wrote in the Financial Times. "We shall never look at African art in our old innocent, patronizing naïveté again."

The exhibition, which runs through Jan. 21 and will travel to the Guggenheim Museum in New York in June, states its case by opening with an ax found in Olduvai Gorge of Tanzania. Estimated to be one and a half million years old, this is the oldest known object shaped by man. Seven sections follow, dealing successively with ancient Egypt, East Africa, Southern Africa, Central Africa, West Africa, the Sahara and Northern Africa.

The show includes pieces that have long been appreciated outside Africa: the terracotta Lydenburg heads from South Africa, which have been dated between A.D. 500 and 700; power figures, known as nail fetishes, from Central Africa; the Benin bronzes from Nigeria, many of them three centuries old. But a good number of the objects have never been displayed before and were found in private collections in France, Britain, Belgium and Germany (Africa's main colonial powers) or discovered in dusty storehouses in European museums. Only about one-quarter of the pieces were borrowed from African museums.

What gradually overwhelms the visitor is the variety of styles and materials (wood, bronze, clay, ivory and stone) and the sheer versatility of the artists.

At times it is impossible not to see near-abstract wooden and stone carvings of human figures through Western eyes, especially when confronted by the African originals of the masks and columns later made by Picasso and Brancusi. But invariably these works suggest a dimension of mystery, imagination and even mischief that goes beyond what the eye can see.

A red quartzite female torso made in Egypt around 1350 B.C., her body visible through a delicately carved veil tied neatly under one breast, is profoundly sensual. A wooden body mask in the shape of a woman's chest and stomach, made in Mozambique in the late 19th century, is realistic to the point of carrying ritualistic tattoos.

ASIX-HEADED healing figure from Zaire looks out for evil in all directions. And a delightful array of wooden headrests shows that even the business of protecting a complicated coiffure can be turned into art. But the sheer sweep of the exhibition has raised some questions.

"One senses overbearing vanity behind this exhibition, irresponsibility and fundamental ignorance," sniped Brian Sewell, the Evening Standard's art critic. Yet even he concluded that the exhibits "tell of awe, ceremony and rite, of beauty and cultivated ease, of humor, tenderness and pleasure, of societies that came of age and declined." In fact, only one reviewer, Simon Jenkins, a political columnist, refused to regard the works as art. "They look exotic, exciting, colorful, but primitive," he wrote in the Times of London. "But we are not supposed to say that."

Not surprisingly, Norman Rosenthal, the secretary of exhibitions at the Royal Academy, defends both the contents and scope of the show. "Art is what you call it," he said in an interview. "We have tried to find objects that transcend the function for which they were made. We wanted to show an Africa that had an incredible culture going a long way back. We're not saying everything about Africa, but we're saying something about the affinities and differences between African art."

IN the exhibition's catalogue, Anthony Appiah, a Ghanaian who is a professor of African-American studies and philosophy at Harvard University, addressed some of the same issues, noting that until this century Africans had no concept of being African and had no word for art in their languages. But he asked rhetorically, "If African art was not made by people who thought of themselves as Africans, if it was not made as art and if it reflects, collectively, no military African aesthetic vision, can we not still profit from this assemblage of remarkable objects?"

But this exhibition does reflect the vision of one man, Tom Phillips, 58, a painter and longtime student of African art, who was chosen as its principal curator. "When I set off on my travels two years ago, I didn't know if there was African art as such," he recalled. "But now I think there is a way of looking at Africa where you see the artistic continuity, especially if you go back in history. There are continuities that stretch thousands of miles."

This reasoning enabled him to take on the whole continent. With West Africa already fairly well known outside Africa, for example, Phillips was eager to show art from eastern and southern Africa as well as the early Roman and later Islamic art of North Africa. "Not everything is present here. It proved impossible to show examples of Masai body painting or the mud architecture of Zimbabwe and Mali. And the Royal Academy reluctantly decided not to exhibit terra-cotta statues from the ancient city of Djenné in what is now Mali because they had probably been stolen in post-colonial times. The British Museum, which has a strict policy of not showing stolen or smuggled art objects, threatened to withdraw 87 African works lent to the Royal Academy if the Djenné sculptures were shown without Mali's permission. That permission did not come."

BOOKS

THE PILLARS OF HERCULES: A Grand Tour of the Mediterranean

By Paul Theroux. 509 pages. \$27.50.
Putnam.

Reviewed by John Ash

LIKE a lot of people, I don't travel as much as I'd like. Reading travel books is a good way of making up for this, especially if you are reading about places you are never likely to visit, but it can be equally fascinating to read about places you know well. It can often happen that the writer seems to be describing a place on another planet.

With this in mind, I turned immediately to the section of "The Pillars of Hercules" that deals with Turkey. I was richly rewarded.

Approaching Istanbul on the cruise ship the Seabourn Spirit from the southwest, Paul Theroux describes the city's skyline, and then announces impressively: "We had crossed the Golden Horn." Well, no, we hadn't. We couldn't have. The Golden Horn lies on the far side of old Istanbul. It is a narrow inlet crossed by three bridges. One of these is the Galata Bridge, and very soon Theroux tells us: "I walked down to the Asian side of the Galata Bridge and looked for the Seabourn Spirit on the quay at Kadikoy."

This is deeply confusing: There is no "Asian side" of the Galata, which crosses

from one place in Europe to another place in Europe. Kadikoy, however, is in Asia, so where was Theroux exactly? Clearly, he travels intuitively, disdaining maps and guidebooks.

Theroux writes very well, however, so I set aside my misgivings. I hurried on with him to Syria, where he told me that he took a bus to Qal'at Saman, the stupendous 5th century shrine of Saint Simeon Stylites. I looked forward eagerly to his description of its great octagon, its four radiating basilicas, its baptistry and so on. But concerning these things Theroux had nothing to say. He took the bus, offered a few generalizations about pilgrimages and shrines, and then took the bus back.

By now I was thoroughly baffled, so I decided to start again at the beginning. On page 44, I found an explanation: "My lowest points were visiting churches and ruins." Theroux is entitled to his preferences, but it might have occurred to him or his publishers that someone who is averse to churches and ruins is less than ideally equipped to write a book about the Mediterranean.

It is perhaps not surprising that Greece should be a nightmare to such a person, but even so Theroux's one-sentence dismissal of that country and its entire people fairly takes the breath away: "The whole of Greece seemed to me a sea-price theme park of broken marble, a place where you

were harangued in a high-minded way about Ancient Greek culture, while some swarthy little person picked your pocket. Theroux is famous for his curmudgeonly verve, but this is not that. It is furious and ugly."

It is probably inevitable that a book that tries to cover the entire Mediterranean coastline should occasionally lapse into superficiality and irritability. Kneepert judgments. When the subject is Torre del Greco or Corfu this hardly matters, but when Theroux turns his attention to the wreck of the former Yugoslavia it becomes seriously damaging. He asserts (twice) that the proudly Orthodox Serbs are Protestants, and claims that the beautiful Ottoman bridge at Mostar was "blasted apart by mindless Serbian artillerymen." I am no admirer of the Serbs, but it was the Bosnian Croats who were responsible for this. Readers surely have the right to expect a traveler to be reasonably well-informed about the regions he is traveling in.

Nonetheless, his picturesque narrative is studded with scenes that stick in the mind. He excels in the depiction of certified hellholes: the Costa del Sol in driving rain, Albania with its hordes of shrieking beggars, pervasive filth, burnt-out factories, and insane profusion of concrete bunkers.

John Ash the author of "Byzantium," wrote this for The Washington Post.

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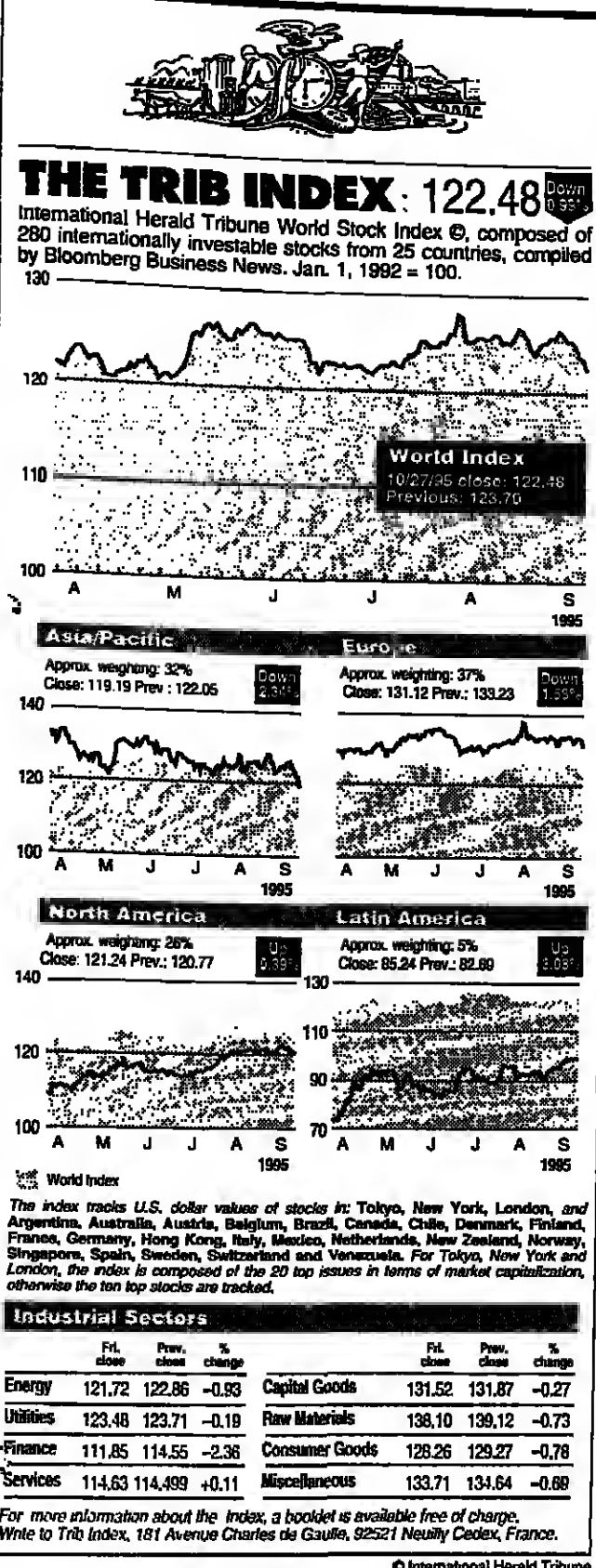
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هكذا من الال



Price Set For Sale Of ENI

Italy Selling 20% Of Energy Giant

MILAN — The first part of the initial public offering of the Italian state-owned energy giant Ente Nazionale Idrocarburi SpA will be worth about 10 trillion lire (\$6.25 billion), the government said Friday.

The Treasury said it would sell about 20 percent of its stake to investors worldwide starting Nov. 21 at a price between 5,250 lire and 6,000 lire per share.

Final pricing of the offering will be set Nov. 19, the Treasury said.

The sale of shares in ENI is the start of one of the government's most important privatization operations. ENI's shares will be listed in Milan and New York.

"The fact that there is a lot of uncertainty in the Italian market means the issuers had to bring ENI out at a lower price than they would have liked," said Richard Lewis, European fund manager at WorldInvest Ltd.

Italy's all-share Mibtel Index has declined 10 percent since the beginning of September. The Treasury said one-quarter to one-half of the shares would be offered to individual investors in Italy through a public offering. But each investor must buy a minimum of 1,000 shares, and the rest of the offering will go to Italian and foreign institutional investors.

Through this operation we have reinforced our international credibility," Industry Minister Alberto Clod said.

ENI is one of Europe's largest energy firms, with an array of oil, gas, mining and chemical interests around the world.

(Knight-Ridder, Bloomberg, Reuters)

Little Cheer for Profits They're Up Again, but Is Peak Past?

By Kenneth N. Gilpin
New York Times Service

NEW YORK — U.S. corporations are generally reporting better-than-expected profits for the third quarter, continuing a successful string that goes back two and a half years.

But this has not been enough to prevent nervous investors from sending stocks down sharply some days this past week. Some are apparently worried that while earnings are up, the pace of growth slowed in the third quarter. That slowing is expected to increase in the final three months of the year — even though the government reported Friday that the economy grew at a surprisingly robust 4.2 percent rate in the third quarter.

Earnings among the companies that make up the Standard & Poor 500 index jumped 16.8 percent in the third quarter, according to Zacks Investment Research. The increase is the 10th-straight quarter in which earnings exceeded expectations and the 14th of double-digit growth in per share earnings for the companies.

But investors may focus more on the spotter performance during the summer quarter. Perhaps more important, the rate of profit growth at many of the largest companies slowed significantly from the second quarter, despite what seems to have been a rebound in economic growth.

Worries about the near-term sustainability in the stock market's advance may also help explain an apparent slowing in October sales of mutual funds that invest primarily in stocks. The slowdown followed a three-month run-up

that made the third quarter the strongest in the history of the industry.

"In the aggregate, third-quarter profits are good," said Thomas McManus, an investment strategist at Morgan Stanley & Co. "Some companies continue to provide big, positive surprises. But more companies are starting to trip over the earnings bar than previously. At this time of the year, that raises caution among portfolio managers."

All of the returns are not yet in. But as the list of reporting companies lengthens, it is apparent that the third quarter was a difficult one for cyclical industries, such as automobile manufacturing and home furnishings, as well as for producers of basic materials like paper and steel.

But despite a notable stumble by International Business Machines Corp., profits at most other high-flying technology companies stayed high. A fairly benign interest rate environment helped financial services companies. Oil companies posted very strong gains. An exceptionally warm summer pushed up profits at utilities.

Still, the overall profit increase paled against the 24 percent increase in the first quarter and the 23.6 percent rise in the second.

Ben Zacks of Zacks Investment said analysts expected earnings growth to slow further in the fourth quarter, to an estimated 13.7 percent. "This is what has everybody concerned," he said.

"I think the problem starts in the fourth quarter," said Charles Clough, chief invest-

See PROFITS, Page 12

Franc Surges As Chirac Vows To Cut Deficit

Compiled by Our Staff From Paris

PARIS — The franc rose sharply against the Deutsche mark Friday, as the market cheered President Jacques Chirac's pledge to make deficit reduction his top priority.

In a television interview Thursday night, Mr. Chirac said the French would have to brace for two years of austerity, and that public deficits would be slashed in time for France to join European monetary union in 1999.

To meet the criteria for monetary union, EU members must cut their public debt to 3 percent of gross domestic product. France's deficit stands at about 5 percent of GDP.

Jean-Paul Bezeze, director of economic research at Credit Lyonnais, said Mr. Chirac's statements constituted "the start of a turning point," since "for the first time, he clearly assigned priority to reducing deficits over any other objective," including the struggle against unemployment.

The mark weakened in late trading in New York, to 3.4710 francs, from 3.5180 at the end of trading Thursday. The price of the benchmark 10-year government bond rose sharply, pushing its yield down to 7.34 percent from 7.42 percent. Stocks slipped, however. The CAC 40 index fell to 1,742.38 from 1,754.12.

Mr. Chirac's pledge to make cutting the public deficit a priority could spell a sharp rally for the franc and bonds, said Darren Williams, an economist with Merrill Lynch & Co.

"Last night he clearly stated that the reduction of deficits was the priority of priorities," he said.

Investors have been selling the franc for the last month on the view that the government cannot cut public deficits and

unemployment at the same time. Some thought France would cut interest rates at the cost of devaluing its currency against the mark.

Mr. Chirac moved to quell such speculation. Citing France's low inflation and record trade surplus, he said there was "no objective reason to devalue the franc."

Some traders said the franc was unlikely to rally much more in the near term, because investors now want to see whether the government delivers a tough reform package on social security. The 66 billion franc (\$13.44 billion) shortfall in the welfare system will account for a sixth of public deficits this year.

Mr. Chirac's statements were immediately welcomed by the governor of the Bank of France, Jean-Claude Trichet.

Mr. Trichet said "the clarity and the definite nature of the strategic guidelines put forth by the president" were "a very important factor in creating confidence." He indicated that the central bank would accompany such restoration of confidence by cutting interest rates.

Jean-François Mercier, an economist at Salomon Brothers Inc., pointed out that public opinion could be a problem. "The next few months will no doubt be marked by labor tensions and wage demands, but the government will probably not yield to the pressures," he said.

A poll published in Le Point magazine showed that just 14 percent of the French are satisfied with Mr. Chirac, down from 21 percent a month ago.

Mr. Chirac said he had not been "elected to be popular," and indicated that since he is to stay in power for seven years, he has enough time to apply his program. (Bloomberg, AFP)

ECONOMIC SCENE

In U.S., the Greatest Divide Is Income

By Keith Bradsher
New York Times Service

WASHINGTON — The income gap between the rich and poor was wider in the United States during the 1980s than in any other large industrialized country, according to the most comprehensive international study ever released on income distribution.

While Britain, France, Italy and Ireland all had highly paid elites, the gap between the high-paid and low-paid Americans was wider in the mid-1980s than in these countries or a dozen other countries included in the study. The report was commissioned in 1991 by the Organization for Economic Cooperation and Development.

The study, released on Friday, also suggests that the relatively high levels of inequality in the United States persisted into the early 1990s.

Income inequality has become a hotly debated and politically charged topic. Previous studies, contested by some conservative economists, have suggested that the income gap grew in the 1980s.

But the new study is considerably more comprehensive than earlier attempts and addresses many criticisms aimed at them. It also lays out a new methodology for analyzing income inequality.

The study ranked countries in terms of earnings disparity on the income scale. For example, an American adult who barely made it into the top 10 percent of

after-tax income earned 5.9 times as much in 1987 as an individual who just fell into the bottom 10 percent, according to the study. The ratio in Finland, the country with the least inequality, was 2.59.

Inequality rose markedly in the United States, Japan, Australia and Britain, and showed modest increases in five European countries during the 1980s, the study found. But inequality was little changed in five other European countries and Canada, and actually fell in Italy and Portugal. A shortage of reliable data makes it difficult to establish rankings before the mid-1980s.

The inequality rankings depended partly on the criteria. The broadest measure of after-tax income showed that the United States had the highest level of inequality between the top 10 percent and bottom 10 percent of individuals by income. But income was slightly more concentrated in the top 5 percent of families in Ireland than in the United States, and income was still slightly more concentrated in Ireland when interest payments, dividends and other non-wage income was excluded.

The study avoids conclusions about the causes of the widening inequality and makes no recommendations on what, if anything, should be done about it. Economists have offered many theories for the growing inequality, including the spread of computers, cutbacks in welfare programs and growing trade with low-wage countries.

Many conservatives have argued that high levels of income inequality may not be bad if the rich invest their savings productively, contributing to a faster pace of economic growth.

"The existence of income differences does not necessarily have policy implications," the study said. "The importance of the results for policy depend on social judgments, including the trade-off between the level of income and its distribution."

Douglas J. Besharov, a resident scholar at the American Enterprise Institute, a conservative research group, said that while income inequality appeared to be rising in Europe and the United States, comparisons between countries with different economic systems were tricky, even with detailed data.

The study defined income as all wages and salaries, dividends, interest payments and private cash transfers, such as child support and pensions, as well as government cash transfers, such as Social Security. It also included government benefits and took taxes into account.

The study excluded health benefits, such as private health insurance, Medicaid and Medicare, as well as free or nearly free government-provided health care in Europe. It excluded large investment gains, such as from the sale of a house or stock. While some U.S. government measures of income include these gains, most foreign countries do not, and the study's authors left them out to allow for more reliable comparisons.

Daiwa to Disclose a Restructuring Plan

Reuters

OSAKA, Japan — Daiwa Bank said Friday it planned to announce a "comprehensive" restructuring plan next week that it hopes will help repair the damage done by a scandal over losses on unauthorized bond trading.

Some analysts thought the move would help Daiwa Bank put the affair behind it. But others were skeptical, afraid that continuing U.S. investigations into the affair could bring more trouble for the bank's business and management.

"My understanding is that the bank will unveil a comprehensive restructuring plan by the end of October," a Daiwa Bank spokesman said.

"We hope the restructuring plan will take the bank beyond the bond trading loss into a new era," said the spokesman, who declined to give details of the plan's content.

In late September, Daiwa disclosed that a trader, Toshihide Iguchi, made \$1.1 billion losses on unauthorized U.S. Treasury bond deals during an 11-year period at its New York branch.

The daily Nihon Keizai Shimbun reported Friday that Daiwa's restructuring plan would include an overhaul of personnel and administrative policies as well as tighter monitoring of overseas offices to prevent similar incidents.

The paper also reported that Daiwa, which U.S. authorities criticized for failing to reveal its U.S. Treasury bond trading loss in New York for two months, would submit a report next week to Japan's Ministry of Finance explaining the delay.

Daiwa has said it delayed telling regulators of the loss for fear Mr. Iguchi would flee and thwart an investigation.

Jason James, a strategist at James Capel

Securities in Tokyo, said that whatever the fine details of Daiwa's restructuring plan, it would probably help Daiwa's image and share price.

The bank suffered further blows this week when Japan's Pension Fund Association said it would stop giving Daiwa Bank new funds to manage because of "doubts about Daiwa's risk management." Another blow came from the debasing agency Standard & Poor's Corp., which lowered its ratings on some \$3 billion of Daiwa debt.

"I think a restructuring plan will mark the start of a new era at Daiwa Bank because the bank will presumably rigorously overhaul its internal organization," Mr. James said.

"Daiwa Bank's reputation won't be tarred for ever, and that's partly because of this restructuring plan," Mr. James said.

CURRENCY & INTEREST RATES

Cross Rates									
	Oct. 27	Oct. 26	Oct. 25	Oct. 24	Oct. 23	Oct. 22	Oct. 21	Oct. 20	Oct. 19
Amsterdam	1.567	1.562	1.560	1.558	1.556	1.554	1.552	1.550	1.548
Brussels	2.425	2.420	2.418	2.416	2.414	2.412	2.410	2.408	2.406
Frankfurt	1.378	1.373	1.371	1.369	1.367	1.365	1.363	1.361	1.359
London (sterling)	1.630	1.625	1.623	1.621	1.619	1.617	1.615	1.613	1.611
Madrid	171.26	171.13	171.01	170.89	170.77	170.65	170.53	170.41	170.29
Paris (franc)	164.92	164.80	164.68	164.56	164.44	164.32	164.20	164.08	163.96
Tokyo (yen)	161.40	161.30	161.20	161.10	161.00	160.90	160.80	160.70	160.60
Other Dollar Values									
Swiss	1.430	1.425	1.423	1.421	1.419	1.417	1.415	1.413	1.411
Japanese	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Other Eurocurrency Deposits									
1-month	5.54	5.54	5.54	5.54	5.54	5.54	5.54	5.54	5.54
3-month	5.54	5.54	5.54	5.54	5.54	5.54	5.54	5.54	5.54
6-month	5.54	5.54	5.54	5.54	5.54	5.54	5.54	5.54	5.54
1-year	5.54	5.54	5.54	5.54	5.54	5.54	5.54	5.54	5.54
Key Money Rates									
United States									
Discount rate	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Federal funds	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
3-month CD	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
6-month CD	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
1-year CD	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Other									
1-month	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
3-month	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
6-month	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
1-year	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50

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12 Month		Div	Yld	PE	Stk	High	Low	Last	Chg
High	Low								

Continued on Page 16

CELEBRATED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

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NASDAQ

Friday's 4 p.m.
The 1,000 most-traded National Market securities in terms of dollar value, updated twice a year.
The Associated Press.

12 Month	High	Low	Stock	Dr	Yld	PE	12 Month	High	Low	Stock	Dr	Yld	PE
100	100.00	100.00	100				100	100.00	100.00	100			
101	101.00	101.00	101				101	101.00	101.00	101			
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THE MONEY REPORT

FIRST COLUMN

Measure Managers By Inflation

There are those of us who know exactly how to fix anything that goes wrong with the car. We are the brave for whom other people's mechanical nightmares present no problem. The solution is simple: We just call up the garage, and then we write a check.

There are those who apply the same logic to the world of finance. What they want to do is have the benefit of someone else's expertise. Their strength is that they recognize their own weakness. Rather than dabbling in something they don't understand, they happily pay a professional to do the job properly.

Which is all fine and good — provided that the professional does a good job. And here various tests of competence come into play. If you use fund managers, on what criteria should they be judged?

Some say that good fund managers should be able to outperform the market average. Others argue that, because market barometers do not have to pay the trading costs that funds must bear, the comparison is unfair. Probably, given that fund managers hold themselves out as being expert investors, those who expect them to beat an index have the better of the argument.

Other measures of fund managers' competence include relative benchmarks such as being "best in sector." Beware of this accolade. It means better than other managers touting the same kind of fund (equity growth, fixed interest, international equity, and so forth). It means better — which is not the same thing as good.

And the ultimate test of good performance has to be inflation. If your investment, after charges, has beaten inflation you can hardly be said to have lost money — even if you haven't made as much as your money manager.

M.B.

Investment Funds: As Good for Customers as for Managers?

By Rupert Bruce

WHEN one fund manager, George Soros, is reportedly the second-best-paid man on Wall Street, and Fidelity Management & Research, the mutual fund company, reports annual profits of \$315 million, you can be sure investment management is a highly profitable business. But you cannot be certain fund investors are getting value for their money.

In recent years, this question has been raised by fund management companies promoting cheap no-frills funds that merely track stock market indexes and make a virtue of their low charges. But even so, their assertions are limited to comments about the fees charged by managers of rival equity mutual funds, and they hardly concern themselves with bond funds, cash funds and so forth.

In many instances, investment funds give bad value for money. Whether or not this is the case depends on many factors. Obviously, the performance of the fund and the level of fees are critical. But also the size of an investor's portfolio and his level of financial expertise have a bearing.

According to Gregory Connor, director of research at Barra International, the chief purpose of investment funds is providing diversification.

"We know diversification reduces risk," he said. "The standard order of magnitude is you need 20 to 30 securities to get a reasonable risk reduction level. The level of risk reduction tapers off after 50 securities." Mr. Connor added that a professional manager can further reduce risk by investing in equities across a range of industries, company sizes, and investment yields.

Because stockbrokers have minimum charges, for many small investors it would be prohibitively expensive to buy the 20 stocks necessary to get the full benefit of diversification. Furthermore, they may lack the expertise necessary to spread their holdings across stocks from different industries, of varying yields and sizes. By Mr. Connor's logic, it makes sense for small investors to buy investment funds.

But many wealthy investors have large enough investment portfolios and are sufficiently well versed in finance to consider buying equities directly, rather than through a fund. With discount brokers on the increase around the globe and some — like National Discount Brokers, which is based

in the United States — having minimum fees as low as \$25, a portfolio does not have to be big to become as cost-effective as a fund with a so-called load fee.

Load fees vary from 3 percent to 5 percent. By way of comparison, the acquisition of a small portfolio of 20 stocks would cost \$500 at National Discount. That is the same as a 3 percent load on an investment of \$16,666 in a mutual fund. In practice, there are other ongoing transaction costs, but investment funds charge fees of 0.75 percent to 1.5 percent a year for these and in some cases take further costs from the funds. It would seem fair to say that for investments of more than \$50,000, mutual funds that charge load fees plus annual management charges — and refuse to reduce them for sizable investments — are an expensive option.

The only way that the more expensive groups can justify their level of charges is by demonstrating that their fund managers tend to pick portfolios of stocks that beat the stock market indexes over time.

Mary Blair, executive director of Fidelity Investments International, makes just such an assertion.

"I would say that the evidence shows that there are groups that over long periods of time do consistently outperform the index," she said.

Fidelity's flagship, the Magellan Fund, has done just that. In six of the past 10 years, it has beat its S&P 500 benchmark index and in aggregate it has outperformed by a considerable margin over that time.

But funds such as this are few and far between. "The usual finding," Barra's Mr. Connor said, "is that, on a net basis, funds underperform the indexes because they have management fees and transaction costs. There are definitely exceptions. There are a number of funds like the Magellan that have outperformed over the long term."

Some of the funds best known for beating the indexes over the long term are also the most expensive. This group of funds, loosely called hedge funds, is based in the United States and the offshore financial jurisdictions. The funds often attract the most ambitious and talented money managers, who are aware of the high fees they can charge. Mr. Soros's flagship Quantum Fund, for example, charges an annual management fee of just 1 percent but also takes 15 percent of any gains it makes for investors. With a 35 percent compound annual return net of fees since inception in 1969 its investors do not complain.

Costs of Investing

Pages 19, 20

Hands-On Trading
Investment Clubs
On-Line Services

George Van, of Van Hedge Fund Advisors, says the average hedge fund has outperformed the average American stock mutual fund during the past five years.

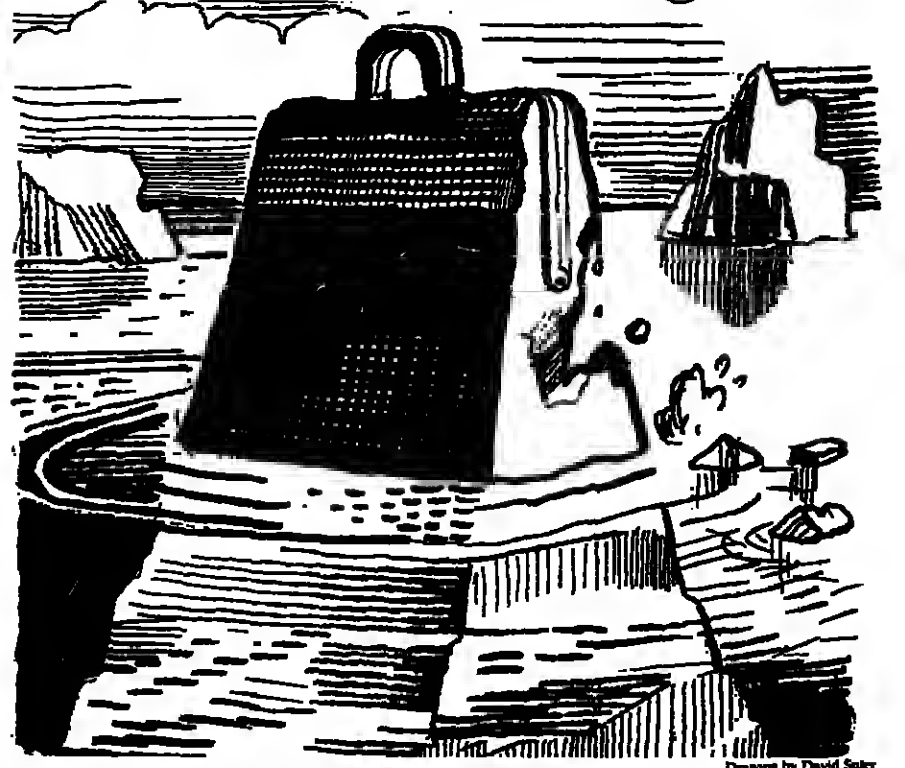
But he concedes that not all hedge funds are worth the money.

"It all depends on the fund you are in," he said. "Hedge funds, like mutual funds, have a universe in which many beat the average and many do not measure up to the average. The difference in that respect between hedge funds and mutual funds is that mutual funds are far more heavily regulated. Therefore hedge funds have the opportunity to do a lot better and in a lot worse."

At the other end of the risk and cost spectrum are bond mutual funds, which are designed primarily to pay investors a regular income from low risk fixed income investments. The fees on some of these low risk, low return vehicles are so high that it is hard to see why investors buy them rather than just investing in a spread of government bonds. Some of the mutual funds run by Kemper Financial Services, for example, have an annual fee of just 0.5 percent but a load fee of 4.5 percent. That compares very poorly with the \$5 that National Discount charges for a \$1,000 order.

Robert Schumacher, chief fixed income portfolio strategist with Kemper, argues that individuals dealing through discount brokers will not be able to buy or sell at nearly such good prices as Kemper. But still, the difference would need to be extreme. He also contends that some of Kemper's higher risk vehicles need active management.

This last point rings true. The higher the risk of a portfolio of investments, the more opportunity there is for managers to boost returns. Successful managers of high-risk funds like these can easily earn their fees. Managers of low risk, low return funds, however, have no excuses for high charges. If their prices are not comparable with the cost of buying securities direct, their funds are not worth the money.



Investing Via a Discount Broker

Transaction fees charged by National Discount Brokers

SECURITIES		MUTUAL FUNDS	
Nasdaq Equities	\$25 flat fee*	Funds with no transaction fees (subject to change)	
Exchange Listed Equities	\$30 flat fee*	No load: Selected funds belonging to families such as Alliance, Blanchard, Bull & Bear, Calvert, Dreyfus, Federated, Founders, Fundamental, IAI, Invesco, Lexington, Value Line and Wright Equifunds.	
Options	\$35 plus \$2.50 per contract	Load: Selected funds belonging to families such as ABT, Burnham, Calvert, Delaware, Franklin, Gabelli, Kemper, Navision, Oppenheimer, Putnam, Zweig.	
Bonds	\$5 per \$1,000 \$40 minimum No commission when NDB acts as principal	Other no-load funds:	
Foreign Securities		Principal value	Fee
Ordinary Shares	2¢ per share +\$125	\$0 to \$4,999	\$34
Canadian Shares	2¢ per share +\$30	\$5,000 to \$9,999	\$40
		\$10,000 to \$14,999	\$50
		\$15,000 to \$19,999	\$55
		\$20,000 to \$49,999	\$60
		\$50,000 and up	\$85
		Exchange within same family	\$15
		Sales	\$30

* Transaction fees for orders placed on-line or by automated phone service are \$5 less than listed fees.
Source: National Discount Brokers
International Herald Tribune

Discount Brokers Carve Out Niches

By Conrad de Aenlle

DISCOUNT brokerage is traveling the same route through Europe taken by many American investment ideas, first stopping off in Britain before moving on to the Continent. Business and competition are increasing among execution-only brokers, and the practice is spreading into other services, mainly financial planning, and other countries, mainly Germany.

In Britain, 46 percent of retail brokerage trades, accounting for 25 percent of their value, are handled by discounters, according to CompPeer, a firm that compiles and analyzes information about the British brokerage industry. The attraction is low commissions on relatively small trades offered by such brokers as Sharelink, the industry leader recently bought by Charles Schwab, the largest American discount broker, and Fidelity, a unit of the largest U.S. fund management company.

Sharelink charges 1.5 percent up to £2,500, or about \$4,000, and 0.75 percent above that. The minimum commission is £20, the maximum is £50. Fidelity's commissions are slightly higher.

But with retail banks offering similar commission rates and deep discounters charging less, Sharelink and Fidelity have set out to beat their rivals — and each other — on service.

The British market "is replicating what's happened in the States, where people are dealing at very low cost. It's a very, very competitive field," observed Richard Bethell, CompPeer's director. One way to fight off the competition is to "attempt to go upmarket and offer advisory and information services."

Sharelink is trying to accomplish that through an account called Market Master that features lower commissions — 1 percent on the first £2,500, 0.75 percent up to £5,000 and 0.1 percent thereafter — and a lower minimum of £10. There is a quarterly administrative charge of 50 pence per hold-

ing, with a minimum of £6. For this, clients receive quarterly statements summarizing the activity in their accounts, plus tax certificates, company reports and so forth.

The aim, said Emma Kane, head of investor services at Sharelink, is for the company to be "not the cheapest in the market, but one that provides value for money."

Fidelity offers a similar service called Stockbroking Plus, but with fewer formalized frills. Company reports are not sent out, for instance, but if clients want market or company information, it can often be provided by phone or fax, said Phil West, marketing manager at Fidelity Brokerage Services. The commissions tend to be higher than Sharelink's, but there are no additional administrative charges.

Fidelity is also casting its net much wider than Sharelink. With customers in more than 100 countries and the ability to trade in most markets around the world, Fidelity bills itself as "a genuinely global stockbroking service." Mr. West said, while Sharelink targets a mainly British clientele trading mainly British, and occasionally American, shares.

For customers who are not British residents, Fidelity offers an offshore multicurrency money-market account through which to trade. The account allows for payment of dividends and interest to be made without tax being withheld.

For the local market it caters to, Sharelink plans early next year to open what it expects to be the first of about 20 walk-in investment centers "designed to meet the needs of private investors," Mrs. Kane said.

"They can buy shares on the spot," she said, "open personal equity plans and meet other investors."

They can also get a demonstration of the company's recently inaugurated Internet dealing system, by which trades can be executed via personal computer.

Today, the small investor often buys an investment fund, rather than an individual stock or bond. It is here that the next big

round of discounting, with or without pressure from brokerage firms, is likely to come.

"All management groups and intermediaries are having to discount to attract PEP sales," said Diana Mackay, publisher of the European Fund Industry Directory.

The normal 5 percent front load is going to 3 percent and, in the case of the M&G High-Income Fund, down to zero percent. By going to no-load, their assets under management have rocketed — which discount brokers are sure to have noticed.

Taking advantage of the trend, though, is not so easy. Charles Schwab has offered an extensive range of no-load funds to its American account holders for years, but when it tried the same thing with a limited group of offshore funds aimed at American expatriates in Europe, the plan sputtered.

Sharelink, perhaps understandably, "has been very reluctant to commit themselves" on a similar program for British fund buyers, Miss Mackay said. Mrs. Kane would say only that "it's an area we're obviously very interested in; it's a new concept for the U.K."

The concept reached Germany about a year and a half ago. Several banks, including most of the big ones, have set up discount brokerages that offer discounts of 25 percent to 100 percent of the sales charges on funds. Independent financial advisers, or IFAs, to whom Germans have traditionally gone for help in selecting funds, have not been pleased.

"IFAs started screaming and shouting and saying they won't work with companies that sell through discount brokers," said Anke Dembowski, a fund industry consultant in Berlin. At first, they tried to cut their charges to compete but found that their expenses were too high to turn a profit.

Whether discounting will succeed in Germany remains to be seen.

"Germans are not very well trained in investment," Miss Dembowski commented. "There are always people who think they can buy a fund quite cheaply, so they buy the No. 1 fund, whatever is on top of the hit list. Maybe they're not really risk takers, but they buy this No. 1 fund without being given advice. After they have a loss, they may decide that investment funds are really a bad thing."

The British experience has been that after a loss, investors think their discount brokers are a bad thing. Nobody needs help picking winners in a bull market, but when a bear market strikes, Mr. Bethell said, many clients run to what they think is the greater safety of investment advisers.

That's why companies like Sharelink are expanding into the savings business, which is more reliable. If they can latch on to it, as their American counterparts have, they stand a good chance of helping their own and their clients' fortunes.

"We want to make share ownership accessible to people," Mrs. Kane said. "That will help them to get to the next stage of planning their financial futures. Anything that allows people to take more control of their investments and removes the many barriers to investing that exist in Britain is something Sharelink is interested in."

BRIEFCASE

Jersey Legislature Clears Financial Commission Plan

The legislative assembly of Jersey has approved a plan for setting up a financial services commission, which would oversee the finance industry and promote the Channel island as an offshore location, Jersey announced.

After 30 minutes' debate, the measure won unanimous passage. The Financial Services Department of Jersey will prepare a draft law to establish the commission. The measure would be debated by the end of next year and, if approved, become law in 1997.

The Jersey Financial Services Commission would operate separately from the government and would be self-financing.

MFS Sets Up 3 New Funds With Foreign & Colonial

Massachusetts Financial Services and

Foreign & Colonial have established three new mutual funds for U.S. investors.

The funds are the MSF/Foreign & Colonial international growth and income fund, the international growth fund, and the emerging market equity fund.

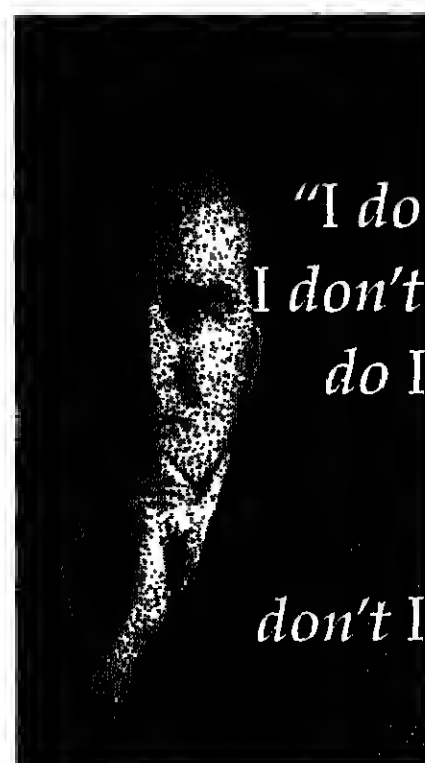
The three funds will close to new investment on Nov. 3, and reopen to new investors in December.

Each fund requires a minimum investment of \$1,000.

Latvian Capital Gets First International ATMs

Sauls Banka in Riga, the Latvian capital, has opened the first two automatic teller machines in the Baltic region that allow 24-hour access to holders of Eurocheque, Cirrus and Eurocard-MasterCard.

The bank plans to upgrade the service to 20 ATMs by the end of next year, Europay International announced.



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THE SUNSHINE NEWS SERVICE

THE MONEY REPORT

Computer Revolution Now Allows the Little Investor to Do Hands-On Trading

By Laura Colby

PARIS — It's 4 A.M., and you are suddenly awakened by an investment insight: Those shares of Widget Co. should be sold. oow. What do you do?

Provided you have a modem, you can now dial up your broker via computer, and place the sell order electronically. Many brokers, in addition to taking orders over the phone, will e-mail you confirmation that the trade has been executed.

The scenario may sound futuristic, but it isn't.

"People have been buying and selling stocks by computer for years. It's called trading," said Tom Koch, author of the forthcoming book, "The Message is the Medium: Online. All the Time and For Everyone" (Praeger, New York). He, of

course, is referring to the large market players, like brokers or fund managers, who have direct access to the markets and whose trading programs have caused some of the spikes and surges in stock prices in recent years.

But things are getting a bit more democratic.

"What's happening now is that private investors are being allowed to trade — still through houses — more directly," Mr. Koch said. What's more, private investors doing their research on-line now have access to far more investment information, on demand, than was ever economically or physically possible in the past.

"After sex and sports, investment information is probably the thing that is most discussed on the Internet," said Reynolds Russell, editor of On-line Investors Digest, an electronic newsletter.

The trend dates back to the late 1980s,

when some discount brokerages began offering their services on-line. At about the same time, users of France's teletext system, Minitel, also were offered the chance to trade stocks through their phone-linked terminals, provided they already had opened accounts with the brokerages offering the services.

Since then, the number of brokerages offering some kind of service on-line has mushroomed.

Today, a number of discount brokers and so-called deep discount brokerages offer their services on-line, including Charles Schwab, Brown & Co., Fidelity and Etrade. These brokerages that charge a fee per trade that generally runs in the \$30 to \$60 area. At least one full-service broker, Waterhouse Securities, is also reportedly planning to go on-line soon.

Several brokerages also have pages on the World Wide Web, the user-friendly

service of the Internet. But many of these, so far, are just information sites, giving users data about services available and phone numbers for contacting the companies and forms for opening an account.

"We're working on" providing trading over the Internet, said Mark McManus, director of marketing for Quick & Reilly in New York, but "we're worried about the security."

Because of the nature of the Internet — it is a network of computers worldwide open to anybody with no central monitoring authority — security can be a problem.

By offering trading services on private on-line networks like America Online, CompuServe and Prodigy, brokers are able to circumvent many of customers' concerns about privacy and fears of having their financial information purloined, analysts say. All the private services have their own private networks with "fire

walls" to keep the unauthorized from obtaining private information or making unauthorized trades.

Another alternative, being adopted by Quick & Reilly, is a proprietary service. To be started in late November or early December, the new Quick Way Plus will enable investors to trade, and follow the performance of their investments using Reuters's Money Network, according to Mr. McManus.

There is no minimum amount for trading and the service is available for as little as \$6.95 a month. However, for the time being it will only be available for trades in American securities.

The explosion of the on-line world has made it far easier for individual investor to do the kind of first-class research that was previously reserved only for brokerage houses and other institutions.

An investor can now look up all the

detailed earnings reports of a potential investment, all the recently published press information about the company or opinions expressed in stock newsletters, as well as analyst research reports.

There are also on-line newsletters providing information about stocks and overall investment strategy.

And through the bulletin board-style forums, investors can also trade stock tips or market advice with their peers.

A recent scroll through the Investor's

Forum on CompuServe, for instance, showed discussions of everything from small stocks like Pudge's Chicken and Boston Brewing to trading in coffee futures and gold options.

There was also a lengthy file explaining

how to choose a discount, on-line brokerage that included phone numbers, fees and various individuals' ratings of how the services stacked up.

Best Performing Mutual Funds

Leading mutual funds	Year-to-date % change	Management Group
Over one month to Oct. 2, 1995		
First Pacific Warrant	11.1%	First Pacific
Barringer ASX Korea	10.8%	Barringer
Barringer Fund Equity Europe	10.7%	Barringer
JP Korea	10.6%	JP Morgan
Calvert Korea 1990	10.5%	Calvert
SP Korea	10.4%	SP Investments
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Source: Mordor

Setting Up an Offshore Trust Isn't for Everyone

By Aline Sullivan

TAX lawyers love them. Hedge fund managers cannot imagine how they would cope without them. But for most people the attractions of offshore tax havens must be weighed against some pretty hefty drawbacks.

The first drawback is cost. Setting up an offshore trust fund isn't cheap. Charges vary, of course, depending on the domicile and the administrators selected, but investors should figure on an minimum initial outlay of \$1,000 for a basic offshore trust and management charges of at least that each year.

Cheaper options may be offered in some of the newer, less reputable offshore centers, but these aren't worth considering, financial advisers warn.

"People should be very wary about buying a trust off the supermarket shelves," said John Battersby, partner at the tax advisory arm of London accountants KPMG. "Take a good hard look at anyone who says they could set one up for a couple of hundred dollars a year."

The cost of going offshore probably outweighs the benefits for those with less than \$250,000 in liquid assets to invest.

There is no point in setting up an offshore trust with less than that amount because the charges are such that the tax

savings aren't worth it," said Derek Robinson, a consultant at London financial advisers Binder Hamlyn.

"Also it serves little purpose," he added, "to set up a trust for one's own benefit if you are domiciled in one country and likely to stay there."

For investors with greater assets, the long-term tax savings could be considerable, however.

Investors who plan to become expatriates soon should certainly consider setting up an offshore trust, advised Andrew Moore, managing director of Royal Bank of Scotland Trust (Guernsey) Ltd. By placing as-

sets out of the jurisdictions of both their home country and their new residence, investors should be able to avoid substantial taxes on income and capital gains and protect their heirs from inheritance tax, he said.

"Once settled in, the individual should only pay income tax," said Mr. Moore. "The offshore trust can buy property and there will be no tax after death because there will be a continuity of the ownership."

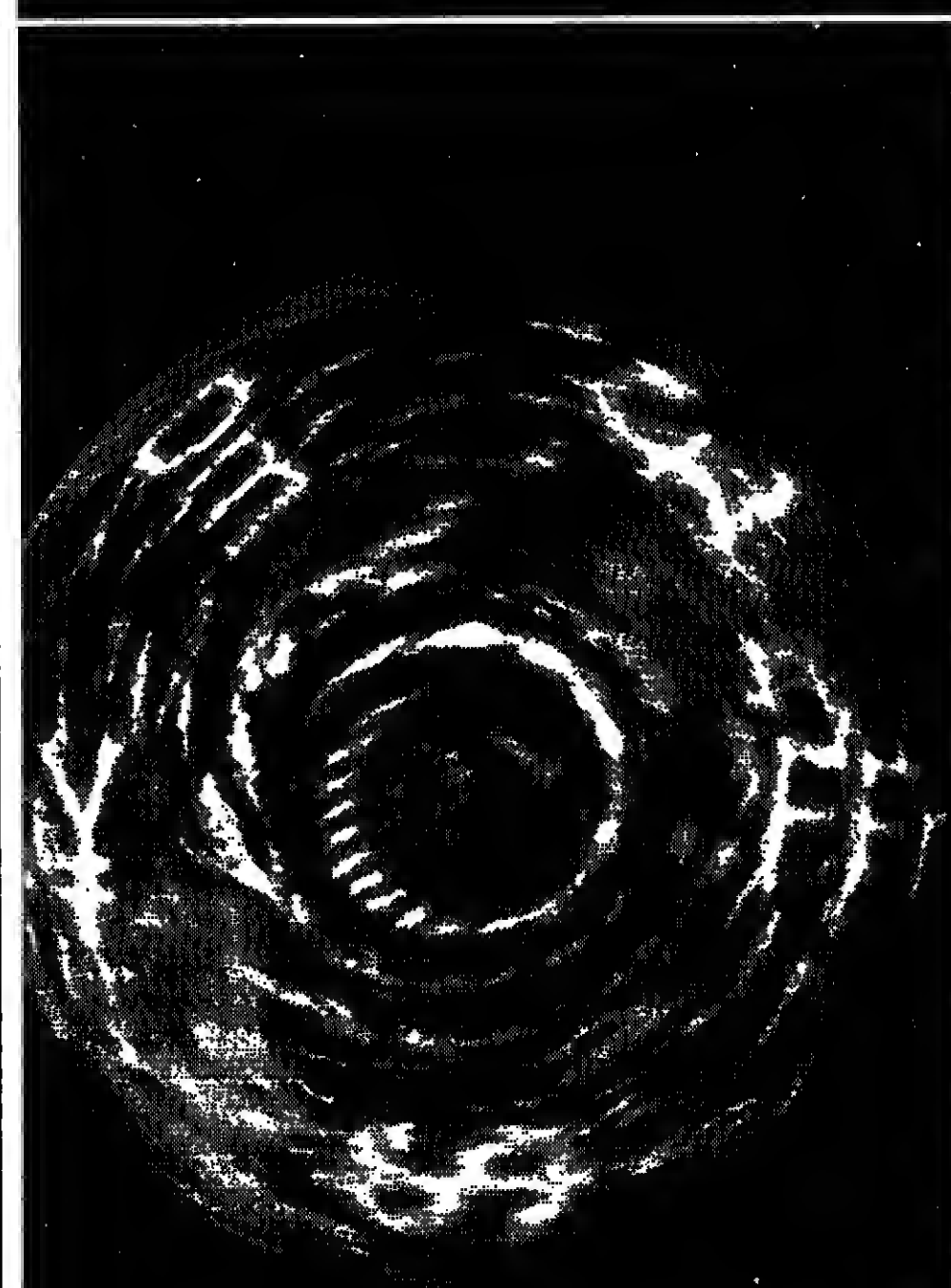
Better still, income tax need only be paid on the actual income brought into the new country. For example, a Scandinavian oil expert moving to Scotland could arrange to be employed through his offshore

company in one of the Channel Islands. His salary of, say, £200,000 (\$315,000), would be safely lodged at the company, which could, in turn, be owned by a trust, and he would draw down the £30,000 pounds a year or so that he needs for his living expenses, paying British income tax only on that.

Not everyone can be so fortunate, however. Mr. Battersby warned that, although Britain's tax laws are relatively generous, many other countries prohibit this type of arrangement after a fixed period of residence.

And Americans living overseas remain liable for U.S. income tax — wherever they work.

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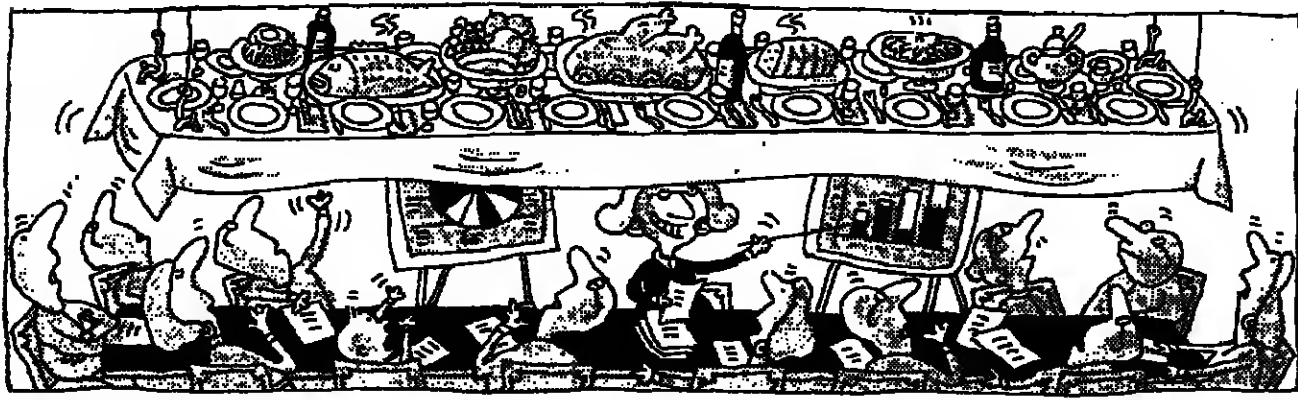
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THE MONEY REPORT



Mikael Asadi

Don't Mock Granny's Investment Club

By Barbara Wall

IF the prospect of a family reunion propels you straight to the liquor cabinet, try to imagine meeting with your kith and kin on a regular basis to discuss, of all things, investments. This is exactly what the Taffy Investment Club in Kansas is all about. No family disputes here, however. The club, which comprises four generations of the Taylor and Andrews families, is a highly successful business, boasting an average annual investment return of 28 percent since 1987, when it was formed.

Betty Taylor, the Taffy club secretary, sees nothing unusual in families coming together and pooling their resources to invest in the stock market.

"What better way is there to teach kids the value of money," she said. "Even the grandchildren are hooked. They invest their pocket money in the club. Everyone has been very pleased with the results, so far."

"The Taffy Investment Club," Mrs. Taylor said, "owes its success to hard work and a businesslike approach to investing. Many other clubs fail by the wayside because the members are more interested in socializing than attending to business. We are all in the club to make money. We each invest between \$25 and \$50 per month, though the grandchildren usually put in about \$5 per month. Every cent is invested in growth stocks that have at least five years' history. Disputes between family members are rare as investment decisions are reached democratically — the majority rules."

The Taffy Investment Club is a member of the National Association of Investors, based in Michigan. The association has over 17,000 member clubs with an average of 500 new clubs joining every month.

The Beardstown Ladies Club of Chicago is one of the association's major success stories. The club shot to fame in 1991 when it reported a return on its shares of 59.5 percent, which was 10 times the Standard & Poor's 500 index performance during the period. The average annual return over

the 11 years of the club's existence is 23 percent. Tom O'Hara, the association chairman, expects 45 percent to 50 percent of clubs to at least equal the index from year to year.

The Worldwide Federation of Investment Clubs in Sweden represents the interests of clubs around the globe. Next to the United States, the greatest concentration of clubs is to be found in France (15,000), Germany (5,000), The Netherlands (700) and Britain (500). A spokeswoman for the Worldwide Federation said the organization was founded in 1960 to encourage wider share ownership.

"In many countries it is still difficult for individuals to buy shares because of the cost involved," she said. "The club setup allows members to diversify risk, profit from their investments and learn from one another."

The federation says the optimum number of members for an investment club is 20. "Any group with more members may find it difficult to operate efficiently," the federation says, adding: "It is also important to agree on investment strategy from the outset. Long-term growth is generally far more effective than short-term speculation. We encourage clubs to aim at doubling their capital in the first five years."

Essential reading for any DIY investment enthusiast is the Investment Clubs handbook, written by Tony Drury. Mr. Drury charts the progress of a handful of British investment clubs, from the highly successful Peninsula Investment Club of Merseyside to the not-so-successful Victoria Investment Club of Truro, Cornwall.

Peninsula Investment was formed 10 years ago by eight women. Today the club has 19 members (once a club has 20 members it must be incorporated for legal and tax purposes). Although the club did not want to make public its results, Mr. Drury assures us that he could not imagine a club being better run.

"It is profitable and the club's investment strategy appeared to be dominated by the practicality one expects from housewives and business people," he said. His only criticism: the club's over-reliance on

newspaper articles for research purposes. The Victoria Investment Club, whose 16 members meet once a month, has also been going for 10 years. But the club's chairman, Derek Richards, reports that members have had to keep their day jobs as the club has not been particularly successful in its investment policies.

"We have certainly done worse than the index over the past decade," he said. "From the outset members didn't really take the club seriously. We are all friends and enjoy each other's company. Perhaps there was too much chit-chat and not enough serious work being done."

"The situation has improved in the last few years as three new members have joined and whipped the rest of us into shape," he added. "The new members are very serious indeed. On their advice we set up a subcommittee to research the market. The committee reports back to members once a month and we take a vote on their recommendations. The committee idea has worked wonders. We are now outperforming the index."

While the federation stresses the educational nature of the investment club movement, the primary motive for most members is profit. Clubs are generally advised to start out on a businesslike footing by appointing a club secretary, treasurer and chairman. A proper accounting system should also be devised to calculate the value of each member's holding.

It is estimated that 40 percent of clubs fold in the first few years of operation. "The main reason for the high failure rate is that members do not discuss their approach to risk. Most clubs play safe and go for straight equities. However, a handful of clubs like to take a gamble by investing in warrants and traded options. It can take four meetings until the club finds a common ground," Mr. Drury said.

"Another problem seen in new clubs," he added, "is the frustration that investors feel at how slowly the monthly contributions aggregate into a meaningful amount. One way around this is for individuals to agree not only to a monthly contribution but also an initial lump sum to get the ball rolling."

Do-It-Yourself Option Wins Adherents

By Judith Rehak

JAIME Ronderos is too busy to handle his investments during his working day as an anesthesiologist at a hospital in Beaumont, Texas. So it's not unusual to find the 38-year-old doctor at his lap-top computer at midnight, logged on to his account at Quick & Reilly, the third-largest discount broker in the United States.

Dr. Ronderos is one of a small, but growing, group of some 600,000 American cyber-investors.

"I do all my trading online," he said. "It's kind of nice to check my portfolio when I get home. I can place orders at night for the next trading day, and do research on companies at my leisure."

Nevertheless, investing via your personal computer isn't for everyone.

"It can be scary, because it's faceless, and if you need to talk with a human, you won't want to trade online," said Paul Gavarlick, an editor at Computerized Investing, a newsletter published by the American Association of Individual In-

vestors. But for investors who are comfortable with trading by touching a key or clicking a mouse, and doing their own research, on-line investing offers convenience, control — and lower commissions. For example, a \$10,000 trade in Harley Davidson at its recent price of \$27.25 a share would fetch a commission of \$185.30 at a full-service brokerage, while on-line discounters like San Francisco's Charles Schwab & Co. and Quick & Reilly in New York would charge \$110 and \$84 respectively, with another 10 percent off for trading from your PC. Deep discounters online would be an even bigger bargain, charging flat rates as low as \$25.00 for the same trade.

But there's more to choosing a cyber-broker than commissions. First, it's helpful to look at the three broad categories of brokerages that offer on-line trading. There are those that require customers to use their proprietary software, namely Schwab and Fidelity Discount Brokerage in Boston, the two biggest players. Quick & Reilly and San Diego-based Jack White & Co., also launching proprietary programs in

November. The second group offers PC trading through the big commercial networks like America Online and CompuServe; this includes high-end, as well as deep discounters like E*Trade of Palo Alto, California, and New York-based PC Financial Network.

The third category, like New York's National Discount Brokers and Lombard Institutional, trades over the Internet, the public computer network. Investors can get access these groups from a personal computer with a modem.

Beyond that, here are some other issues aspiring on-line investors should address:

• **What kind of service?** Most on-line traders can review their accounts, obtain quotes, and execute trades as a basic service. If you want to read analysts' research reports, check out historical prices and tinker with charts and indexes, you will probably have to pay an extra fee to access your brokerage's independent information service, like Dow Jones/News Retrieval, the Reuters Money Network and Telecan.

• **How much will it cost?** Costs vary widely depending on the type and level of service.

Schwab's Equalizer and StreetSmart software is \$49 in the United States and \$69 for users in Britain, Germany and Switzerland. On-line Xpress, Fidelity's program, is available to customers with U.S. addresses for \$49.95. (Jack White and Quick & Reilly both say their new software will be free of charge for a limited time.)

At deep discounters, you won't have to purchase proprietary software, and the commissions are rock-bottom. But expect only bare-bones service.

• **Windows or DOS?**

Many discounters offer access to on-line trading for both DOS and Windows-based computers, but the new, more sophisticated proprietary software coming on stream is overwhelmingly Windows.

Finally, Iang Leon, an analyst for Forrester Research in Boston, thinks anyone contemplating on-line investing needs to step back and look at the big picture.

"PC trading is not an isolated decision," he said. "You should look at the brokerage, the products and its services, and at the fact that at some point you will want to speak to a person."

Companies Head Straight to the Client

By Digby Lerner

ANYBODY who turns to financial intermediaries for advice is bound to ask two questions. First, how much does it cost and, second, is it worth the money?

And if you feel you are paying too much for professional help or seeing little or no value added to your portfolio, is it possible — or wise — to cut out expensive middlemen?

Certainly the spread of technology and competition between finance houses has made it easier than ever before for clients to deal directly with product providers.

Whether buying stocks and bonds, insurance, or arranging an overdraft or a loan, there is now a fast-growing trend toward companies' marketing financial services directly to their clients.

Across the United States and in Europe, it is now possible for

people to organize almost all their financial affairs without once consulting an intermediary and, often, by simply picking up the phone.

But if buying is easier, making financial decisions is sometimes as hard as ever — if not harder. Although choosing something as basic as auto insurance usually comes down to a matter of price and service, some areas are more complicated. The investment market is one example.

Those buying into stocks and bonds can now turn to such discount brokers as Fidelity and Charles Schwab, both of which operate in the United States and Europe. What they offer is execution-only deals. The client makes the investment choice and the broker completes the transaction at a lower cost than traditional brokers, who offer advice and guidance.

But far from reducing the need for intermediaries, said Hugh Humphrey, managing di-

rector of Fidelity's investment adviser group in London, the growing number of direct sales possibilities will most likely increase it.

"Life is certainly tougher for intermediaries than ever before, but that may simply squeeze out inefficiency and see off those less able advisers who cling to the periphery," he said. "By giving people the opportunity to make choices themselves, there is actually a greater need for them to seek advice."

The mutual fund industry has also moved toward cut-price, no-advice selling, especially in the United States, where no-load funds have become highly popular during the last five years. These now count for a third of the country's \$2.2 trillion mutual fund market.

What complicates matters here, said Richard Kates, an analyst with Deutsche Bank in New York, is that it can be almost impossible to say how much added value a broker might have brought to your fund portfolio.

"There's plenty of information for investors to plug into these days but the real question is whether investors have the time and expertise to go through it," Mr. Kates said. "There are now something like 10,000 mutual funds on the market, so making a selection is as difficult as choosing stocks. If anything, looking at the amount of money flowing into mutual funds these days, the demand for advisers is probably on the increase."

The trend toward no-load funds has created a new breed of intermediary, apparently offering their services free.

Judith de Barany, who heads Barany Capital Management in France, charges her clients nothing for the advice she offers, preferring instead to negotiate discounts with the fund managers she recommends.

"There is still a big need for allocation advice but with the growing level of competition in the market, managers have to justify their charges and investors will avoid paying for advice if they can."

Advisers placing big sums of money with particular funds usually carry enough weight with managers to win discounts

equivalent to the amount they would ordinarily pass on to clients, said Miss de Barany.

In Europe, the most spectacular move toward direct marketing is in the insurance market, spurred on by the legendary success of Direct Line — a telephone sales service set up in Britain by Royal Bank of Scotland in 1985.

During the last 10 years, Direct Line has come from nowhere to become Britain's biggest auto insurer, with 12.5 percent of the market.

The huge cost saving the company makes by not having an expensive branch network is used to reduce premiums, giving it a marketing edge in a highly cost-sensitive market, said the company's spokeswoman, Gill Murphy.

"There are still some specialist areas where clients need to deal with intermediaries," he said, "but most people looking for car insurance can easily be dealt with over the phone."

The rapid growth of Direct Line has tempted insurers throughout Europe into the tele-sales market.

Direct Line has also tried pushing the direct sales idea into such other financial services areas as mortgages, for which it offers interest rates 1 percentage point below those of traditional lenders.

Nicholas Deusch, who heads First Mortgage Securities Ltd., a direct loan company based in London, explained that despite the apparent complications of the home loan market the biggest proportion of applications are straightforward enough to be dealt with in less than 15 minutes by phone.

"There are broadly three types of borrower," he said. "There are first-time buyers who have no experience of how mortgages work and who need to be led through the process by someone in person. Next are those whose applications are complicated by poor credit ratings or who may have arrears problems with their existing lender. These two groups count for around 40 percent of applications. The rest, the 60 percent, are older, more sophisticated borrowers who know what they want and who are probably already used to organizing their banking and insurance affairs over the phone."

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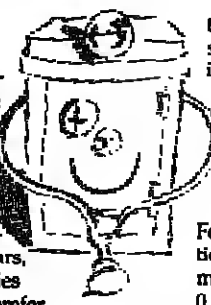
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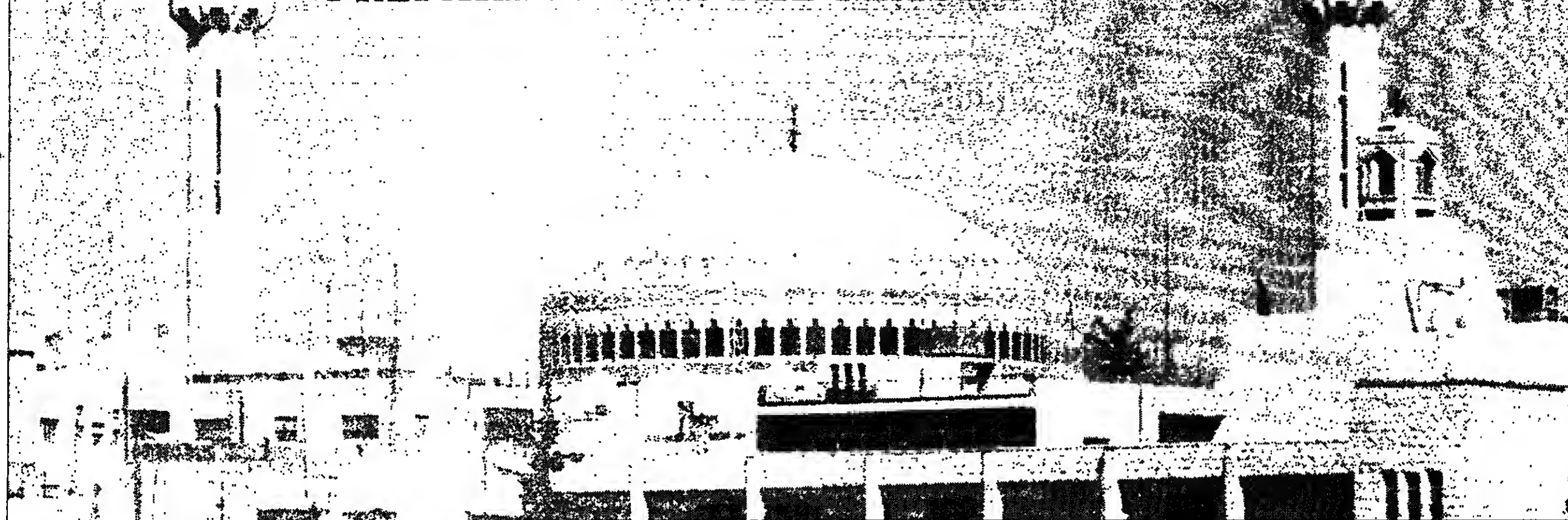
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JORDAN

THE AMMAN SUMMIT

PREPARING FOR THE PEACE DIVIDEND



Jordan's stability and tradition — "a rich tradition of diversity and openness," according to a message from King Hussein published in this section — are symbolized by the King Abdullah Mosque, which dominates the skyline of modern Amman.

JORDAN OPENS ITS DOORS TO MASSIVE FOREIGN INVESTMENT

A package of incentives introduced by the government includes substantial cuts in taxes and duties paid by overseas investors.

Why invest in Jordan? The leadership, political stability, a new regional environment and the central location of the Hashemite Kingdom are four reasons that will be most frequently quoted at the Amman '95 economic summit that opens on Oct. 29.

Coming after five decades of conflict between Arabs and Israelis, the summit's main objective is to continue the peace-building process by increasing economic cooperation in the region. Jordan hopes to become one of the main beneficiaries of the "peace dividend" and is sparing no effort to promote its own opportunities.

About 5,000 delegates — officials, businesspeople and media representatives — are expected to attend the Middle East and North Africa Economic Summit, which is a follow-up to the 1994 Casablanca conference.

Tax cuts

The summit will hear how Jordan is opening its doors to a more liberal investment climate and is proposing 27 official and 136 private-sector projects, requiring the investment of more than \$14.5 billion. The government has introduced a wide-ranging package of incentives for investors, including the allowing of 100 percent foreign ownership, substantial corporate and income tax cuts and a reduction of customs duties.

The main points of the government's strategy of encouraging greater involvement by the private sector have been

welcomed by the business community. "We no longer want the government in business," says Ali T. Dajani, advisor to the Amman Chamber of Industry, adding that the private sector now contributes about 20 percent of GDP.

Constraint removed

One of the main constraints on private investment has been the instability factor in the region. "Now we are able to put that behind us," says Mohammad Smadi, secretary general of the Ministry of Industry and Trade. "It is one hindrance that has been put aside. Consequently, we have been able to review and revise our economic system and open up our economy to the world. Following the changes taking place in the region and in the country, we are now more optimistic."

Shabib Ammari, general manager of the Aldaman investment group and one of the organizers of the summit program, says it is self-evident that the private sector is beginning to assume an increasingly active role in the economy and its management.

"Although some 60 percent of the economy originates from the state, the private sector's role is increasing all the time and will become the dominant factor within the next few years," adds Mr. Ammari.

He says there now appears to be a consensus and a commitment to gear the economic system toward a free market in which the government plays a lesser role.

The government is gradually carrying out a deregulatory strategy and is also taking measures to ease all price controls.

Mr. Ammari expects greater free trade to develop in the region, concomitant with the peace-building process, and he notes that Jordan is applying for membership in the World Trade Organization.

Michael Frenchman



The Investment Promotion Department of the Ministry of Industry was created 18 months ago to ease the path of investors in Jordan.

DEAD SEA DEVELOPMENT ROAD LEADS TO RICH COOPERATION

Exploitation of the area's unique mineral resources requires massive investment and joint action by the inland sea's neighboring countries.

The Dead Sea area is one of the most underdeveloped in Jordan and is desperately in need of investment. Compared with what Israel has done on its side of the Dead Sea, Jordan is lagging far behind in its exploitation of mineral resources and tourism potential.

According to Ali T. Dajani, an advisor to the Amman Chamber of Industry and doyen of the business community, joint development of the Dead Sea could lead to more cooperation between Jordan and Israel.

The potential for the development of mineral resources in the Dead Sea and

the surrounding area is huge. The sea itself is well endowed with a unique combination of features — high concentration of brine, extensive mineral content, high evaporation rate and a dry climate that allows open-air storage of potash and other substances.

Phosphate projects

At present, Jordan's Arab Potash Company and Israel's Dead Sea Works compete for world markets, but shared processing operations, transportation and an exchange of technical know-how could be to the advantage of both companies.

Major phosphate-based projects requiring \$600 million worth of investment are being presented at the summit. The Arab Potash Company is planning to construct a fertilizer and animal feed plant, to be located in Aqaba. The proposed \$79 million plant would produce 75,000 tons a year of potassium sulfate and 40,800 tons a year of di-calcium sulfate.

According to a study by Arthur D. Little, the project would use Jordan's most important resource raw materials, potash and phosphates. It suggests a combined production plant, because hydrochloric acid, a by-product

of potassium sulfate processing, could be used to process the phosphate rock.

The process is environmentally friendly and, says Mr. Little, solves the problem of disposal of waste hydrochloric acid. APC has already established a holding company — the Jordan Dead Sea Industries Company — for this and related projects, with a capital of \$86 million.

Exports to the east

If this company can raise additional financing, particularly from companies involved in the production or marketing of the two chemicals, production could start

from the new plant in five years' time.

Phosphate and potash account for 40 percent of all Jordan's exports and contribute about 5 percent of the GDP. Jordan has reserves of more than 2 billion tons of phosphate and is the largest producer and exporter of phosphate rock in the world.

A joint venture has been agreed upon by the Jordan Phosphate Mines Company and the Fauji Fertilizer Company of Pakistan to build a fertilizer plant at Pakistan's Port Qasim. JMPC has also signed a joint venture with the Nippon Jordan Fertilizer Company to

supply the Japanese company with phosphoric acid.

Two acid plants requiring a \$350 million investment will be built in the Eshidiya free zone in southern Jordan. The complex will include two sulfuric acid plants with a total capacity of 1.8 million tons a year, and two phosphoric acid plants producing 500,000 tons a year. Part of the production will go to Pakistan and Japan. The remainder will be available for export elsewhere. If suitable equity financing is obtained, the complex could be constructed within two years.

M.F.

PRESSURES OF PEACE SPUR REFORMS OF THE INVESTMENT LAWS

The department's aim is to reduce bureaucracy so that license applications from would-be investors can be processed in less than 10 days.

One of the first benefits for Jordan of the Amman '95 summit has been the swift passing of new investment and fiscal legislation and the establishment of an investment promotion board. Foreign investment has been liberalized, corporation tax has been cut and customs duties on certain goods, mainly raw materials and machinery, reduced.

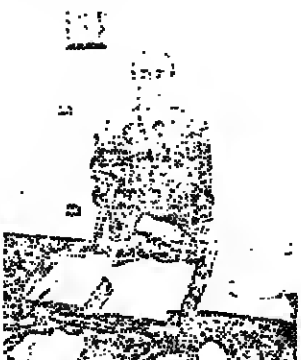
"It would probably have taken us at least 10 years to have introduced these very radical measures," says Umayya S. Toukan, director-general of the Amman Stock Exchange and one of the organizers of the Amman '95

summit. There is no doubt that the new investment law, which allows up to 100 percent foreign ownership and offers a package of tax incentives, is having a catalytic effect on future development plans for Jordan.

New circumstances

"This new law enables us to cope with the new circumstances in which we and the region now find ourselves," says Assem Al-Hindawi, director-general of the Investment Promotion Department of the Ministry of Industry, referring to the peace-making process.

He adds that the most im-



Assem Al-Hindawi — a new law to cope with new circumstances.

portant aspect of the new law is that it aims to remove one of the most damaging con-

straints on Jordan's development — bureaucracy. "You can have all the best laws in the world, but if you have had administration, you will have achieved nothing," says Mr. Hindawi.

He is determined to speed all legislation processes so as to encourage greater investment both by Jordanians and by foreign partners or investors.

The promotion department, which was established one and a half years ago, has been making some progress in getting license approvals down from four months to 40 days. "Now I hope the new law will enable us to process ap-

plications from investors in less than 10 days," says Mr. Hindawi. "It will no longer be necessary for them to go for approval to the Council of Ministers. There will be a new promotion board, chaired by myself, which will process final decisions."

As part of the new incentives, Jordan is to be divided

into three main development areas. By introducing a sliding scale of tax relief, the government aims to encourage new investments in less-developed parts of the country and to ease the burden on parts of Amman, especially the east of the capital, which already has well-developed light industry.

M.F.

"JORDAN: THE AMMAN SUMMIT"

was produced in its entirety by the Advertising Department of the International Herald Tribune. It was sponsored by the Ministry of Information and the display advertisers.

Writer: Michael Frenchman is a London-based writer who specializes in the Middle East. Pamela Dougherty is based in Amman. PROGRAM DIRECTOR: Bill Mulder.

GREATER AMMAN MUNICIPALITY

Modern Amman still bears the visible evidence of an evolving civilisation dating back over 7000 years. Visitors today can see for themselves magnificent cultural artefacts such as the Roman amphitheater, Ammonite palaces and Byzantine mosaics.

Amman today is one of the world's most advanced and pleasing capitals, with all the benefits of a modern infrastructure allied to sympathetic city planning, cleanliness and an uncongested network of roads.

Amman is at once a city that offers a variety of attractions to the tourist, and provides an environment conducive to the demands of the international business community. It is a city where finance and commerce sit side by side with culture and tourism.

It is therefore not surprising that Amman has been chosen as the venue for the internationally prestigious Economic Summit for the Middle East and North Africa.

مركز الاستثمار

JORDAN

THE DIVIDE THAT UNITES: RIFT VALLEY

Jordan and Israel plan to cooperate on integrated development that will transform the region.

The Jordan Rift Valley lies on top of one of the world's great geological divisions. Now it is at the heart of plans to bring Jordan and Israel closer together.

Ambitious programs for the integrated development of the Rift Valley should give the two states a shared source of water and power and an integrated industrial

border into an economic powerhouse and a model of cross-border cooperation. A consortium of leading international consultants has started working on the detailed feasibility study for the Jordan Rift Valley development.

The study is slated to take 18 months, and there is no prospect of the planned canal producing water and power for eight to 10 years. In the meantime, work will go ahead at once on a range of "fast track" projects that will promote integration between Jordan, Israel and also Egypt, Saudi Arabia and the Palestinian self-rule territories.

"Seed" activities

The fast track projects fall into four categories. The first covers steps to take advantage of the new open border between Jordan and Israel and includes road links and border crossings, trade and transport facilities, and joint tourism promotion. Next come "seed" activities such as R&D; training in agriculture, fish farming and water management; and cooperation on urban planning, which will lay the foundations for later coordinated development.

The third category covers projects for environmental protection and tourism, including a Marine Peace Park and the Lowest Park on Earth on the Dead Sea.

The fourth category includes the connection of electricity and communications grids and coordination in airport management and development in Aqaba and Eilat.

Work is already under way on the connection of the Jordanian and Egyptian electricity grids as part of a wider project that takes in Saudi Arabia, Syria and Iraq, making Israel's inclusion one of its earliest moves into the wider Arab region. Officials on both sides of the Jordan River see the Rift Valley project as a testing ground for cooperation and, they hope, an early indicator of the practical benefits of peace.

Pamela Dougherty

Officials on both sides of the Jordan River see the Rift Valley project as a testing ground for cooperation and, they hope, an early indicator of the practical benefits of peace

and tourism sector that could be the envy of other countries.

North of the Dead Sea, the Rift Valley is well developed for irrigated agriculture, but 40 years of political division have left the sensitive southern regions largely neglected. The adjoining cities of Aqaba and Eilat, separated by a border, have duplicated their port, airport, sewage treatment and other facilities.

At the heart of the new project is the \$3 billion Red Sea-Dead Canal. The canal would utilize the 400 meter difference in elevation between the Red Sea and the Dead Sea to generate 600 megawatts of hydroelectric power, which in turn could produce 800 million cubic meters of desalinated water annually.

Economic powerhouse

The availability of water and power would then open the way to industrial, agricultural and tourism projects that could transform the arid southern regions on both sides of the Jordanian-Israeli



"A rose-red city half as old as time..." Petra faces the problem of maintaining a balance between the needs of tourists and the need for preservation.

FLOOD OF TOURISTS POSES ENVIRONMENTAL PROBLEMS

Petra has to learn to live with the arrival of 15,000 visitors a day.

Tourism is one of the flagship sectors of the economy. More than \$1 billion worth of priority projects is being offered to investors on a national and regional level. This is the top investment sector, followed by minerals, industry and water, at \$750 million each. Tourism today accounts for 10 percent of GDP.

There are a whole clutch of infrastructure projects for the tourism and transportation sectors that are perhaps the leading sectors of the peace-building process," says Mohammad Smadi, secretary general of the Ministry of Industry and Trade.

Jordan has been described as one of the biggest open-air museums in the world. Its capital, Amman, is one of the oldest continuously inhabited cities, going back to 7000 B.C., and it has a unique range of historic sites, of which Jerash and Petra are probably the most famous.

A major problem today, with up to 15,000 people a day visiting Petra, is the maintenance of the delicate environmental balance involved in showing tourists the sites and preserving the sites from daily wear and tear.

Leisure complexes

The government is now poised to undertake massive projects to exploit its largely untapped potential for international tourism in two areas — the Aqaba south coast and the Dead Sea region.

There are projects for dozens of new hotels and leisure complexes, holiday villages, Disney-style amusement parks, all-green golf courses, spas and health centers.

Magic World Development (USA) has just signed a \$132 million preliminary agreement with the Aqaba Regional Authority to build a Middle East historical theme park, with a 256-room hotel and 200 cabanas.

"While the bulk of future growth is ex-

pected to come from a rise in international tourism-sightseeing visits, pilgrimages and visits to religious sites in the area are expected to increase as well," says a report being presented to the summit.

The 6.3 percent growth in hotel rooms seen over the last 10 years is expected to increase dramatically. There has been a 43 percent increase in the number of visitors to Jordan in the first semester of this year.

The government is poised to undertake massive projects to exploit an untapped resource

compared with the same period in 1994. Tours from Israel accounted for 12 percent.

In the Aqaba area, there are 1,400 hotel rooms, compared with 12,000 in the adjoining Eilat area in Israel.

The Aqaba Region Authority has prepared a master plan for the south coast development. The first stage calls for more than 3,000 hotel rooms, 1,000 holiday homes and two golf courses. Total investment for the project's first phase is put at \$500 million, plus a further \$14 million for essential infrastructure works.

In an attempt to catch up with Israeli tourism development of the Dead Sea, Jordanian and foreign investors are being urged to look at several different projects aimed at increasing the number of hotel rooms to 15,000 by the year 2010. At present, there are 2,000 rooms on the Israeli side, with another 4,300 under construction or planned. In contrast, Jordan has 100 rooms.

M.P.

DEMAND FOR WATER AND POWER LEADS TO MAJOR PROJECTS

The aim is, first, to cater to Jordan's expanding consumption and then to make the country one of the region's exporters of energy.

The race to keep up with a soaring demand for water and power is pushing Jordan's Ministry of Water and Irrigation and the Ministry of Energy and Mineral Resources to explore new sources and new ways of fuelling them. Electricity consumption is growing by 10 percent annually, and the annual demand for 220 million cubic meters of water for domestic and industrial consumption is expected to increase to 425 million cubic meters by the year 2025.

Normal approaches to growth estimates are being

challenged, however, by the enormous potential for economic expansion opened up by the peace process. The average Jordanian uses 110 liters of water per day, but the average tourist requires around 1,000 liters, and the tourist industry is one of the fastest-growing elements of the economy.

Peace with Israel has brought some relief, and Jordan expects to regain around 150 million cubic meters annually that now go into the Israeli supply. But major efforts, says Minister of Water and Irrigation Saleh Irshaidat, are focused on better management of existing resources through the upgrading of networks, prevention

of pollution and recycling. Two major projects will be presented at the Amman summit. The first is a 310-kilometer pipeline to bring 100 cubic meters of water

'Our strategy is to have enough power to supply any industry coming up'

annually from Disi in southern Jordan to Amman. With costs estimated at \$500 million, the project is beyond the government budget, says Mr. Irshaidat, so it is being promoted on a build-own-

transfer or build-own-operate basis. Secondly, the \$250 million Southern Ghors Integrated Project involves three dams on the eastern side of the Dead Sea and will add a further 55 million cubic meters to the supply, most of it for Dead Sea minerals-based industry and tourism, with some for irrigation. Other major regional projects being discussed include pipelines from Turkey and Iraq.

"We are open to talking about every kind of project," says Mr. Irshaidat, "and if we are talking of peace for 100 years, we could bring water by pipeline. But ultimately there is only one way open — we will have to go to

desalination in 10 to 15 years, despite the cost."

New turbines

The increase in demand for electricity is already putting Jordan's electricity network under pressure. Work is under way to add two 130 megawatt turbines to the Aqaba thermal power station and Minister of Energy and Mineral Resources Sameh Darwazeh wants to go a lot further.

"Our strategy is to have enough power to supply any industry coming up in the next six years and to have the cleanest source of energy possible," he says. "And then we want to go into business and export electricity"

Efforts to find oil and gas resources to feed Jordan's power stations are receiving new impetus with the establishment of the government-owned but independent National Petroleum Company. New exploration agreements have been reached with two U.S. oil companies and one from Malaysia, and discussions are being held with Enron of the United States for a joint venture to exploit local gas reserves.

Also on the minister's list are a second Enron project to establish liquefied gas storage facilities, and plans for an offshore oil refinery and for a new power station in Aqaba, all to be funded by private investment. P.D.

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P.O. Box 1470
Amman 11118, Jordan
Tel: 592.61.638/116
Fax: 574.416.106/2252

AQABA AWAKES TO ITS REGIONAL ROLE

Jordan's southern port has expansion plans to meet the new opportunities presented by political developments.

You can now hop on a bus serving Jordan's southern port of Aqaba, Eilat in Israel and the Egyptian resort of Tabá. As dreams turn into reality in the Middle East, Aqaba is finding itself on the cutting edge of change.

It has always been a town of not-quite-realized potential. Aqaba has an efficient, well equipped port, but traffic has come and gone with the shifts in the political winds — during the Iraq-Iran war it was handling 20 million tons of cargo annually; today traffic is down to 10-11 million tons.

It has also had success in attracting industry, notably the Jordan Phosphate Mines Company's fertilizer plant and packing facilities for bulk food commodities, and it is the location for Jordan's second major power plant. But there is strong evidence that the best is still to come.

Master plan

The Aqaba Ports Corp. is keen to meet the new opportunities head-on, says Director-General Dureid Mahasneh, outlining plans to expand handling capacity from 25 to 30-36 million tons annually, lower port fees, boost efficiency and expand and improve free zone facilities. "The Japanese government is already funding preparation of a master plan for the port that will take into consideration the political changes in the region," says Mr. Mahasneh, "and the corporation is considering the relocation of some activity from the central port to the industrial port on the south coast."

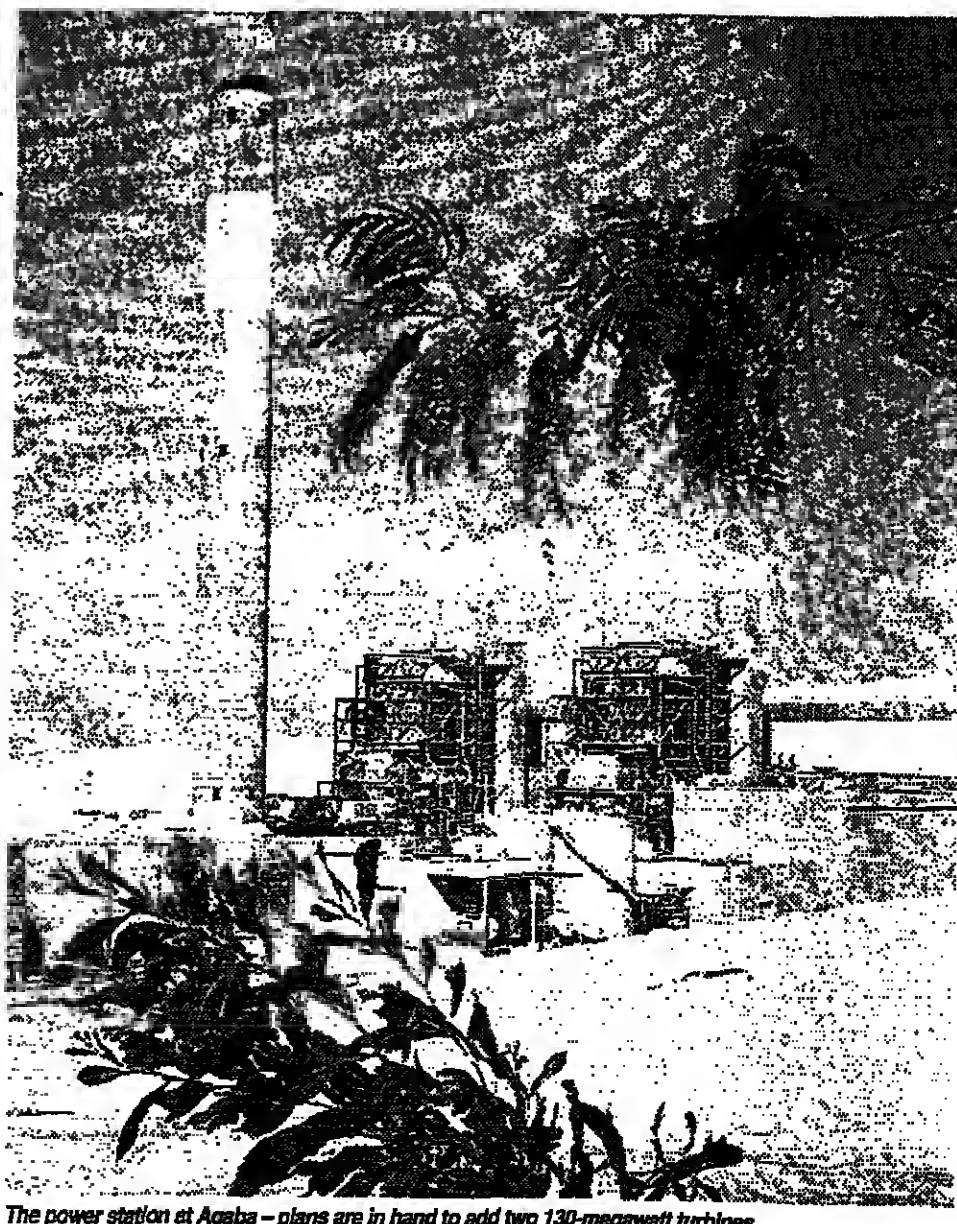
What will make the process a real success is the potential for the opening up of the region's once tightly closed borders.

Already on the drawing board are plans for a ring road connecting Egypt, Israel, Jordan and Saudi Arabia and a rail link from Aqaba to the Dead Sea, opening prospects for the use of Aqaba for Israeli minerals exports; a north-south highway along the Jordan River; and joint facilities for the transfer and warehousing of goods at border crossings and seaports.

Expansion of the Aqaba international airport is targeted mainly at the tourist industry, but will also boost the city's business potential.

The importance that Jordan is placing on the development of Aqaba can be seen in the projects it is presenting at the Amman summit. The list includes at least four major industrial projects to develop the mineral resources of the Dead Sea, all offering major export potential. These, combined with a \$25 million multipurpose jetty and a \$10 million passenger berth, both serving regional needs, and the road and rail projects, should finally give Aqaba the chance to play the role of a regional industrial and transport hub.

P.D.



The power station at Aqaba — plans are in hand to add two 130-megawatt turbines.

SPONSORED SECTION

SPONSORED SECTION

Middle East & North Africa Economic Summit

THE JORDAN PORTFOLIO

Opening the door for investment

About 600 delegates from more than 60 countries will be attending the Middle East & North Africa Summit, which opens on Oct. 29 in Amman.

The conference is the result of the Middle East peace process that started in Madrid in 1991. It brings together business and government leaders whose aim is to examine regional policies and structures that will lead to the integration of the region into the global economy. Jordan, which is hosting the conference, also has a key role to play as an important economic partner in the region. Jordan is announcing about \$14.5 billion worth of new projects requiring foreign investment and the transfer of technology. The government has introduced a new liberal investment law, including changes to the tax system and customs duties.

A Message From His Majesty King Hussein

The great cultures of the Middle East and North Africa have prospered from their interaction with other peoples. Indeed, mankind's first civilizations were born in the Middle East, at the crossroads of three continents. The lands of the Middle East and North Africa flourished with a vibrant exchange of ideas and trade both among themselves and with Asia, Africa and Europe. The vitality and grandeur of these civilizations were based on a rich tradition of diversity and openness. A return to this heritage is what we seek today.

Throughout most of this century, our region was paralyzed by two core problems: colonialism and the Arab-Israeli conflict. While the era of colonial domination ended decades ago, Arabs and Israelis are only now drawing our long, bitter struggle to an end. With the achievements of a lasting, comprehensive peace based on justice, the peoples of the Middle East and North Africa can finally remove the obstacles that have hindered us from building our societies and our future. Only by drawing from our common wellspring of tolerance and interaction can the children of Abraham build a prosperous tomorrow.

The barriers which once divided us are gradually being transformed into bridges of cooperation, and fresh winds of political freedom and economic liberalization are breathing new life into the Middle East and North Africa. As a continuation of the path we embarked upon in Madrid, the annual Middle East and North Africa summit aims to ensure that the peace we are building grows to bear fruits of prosperity and stability both for ourselves and for generations to come.

May the success of this summit bring blessings to the peoples of our region, who have long suffered and today look for the chance to create a better future for themselves and for their children.

His Majesty King Hussein I



Main features of the Investment Promotion Law 1995
An independent Investment Promotion Corporation is to be established. Its objective will be to promote investment in Jordan by:

- Identifying and promoting investment opportunities.
- Simplifying administrative procedures for registration and licensing of new projects, providing for the follow-up of existing projects and the reduction of official bottlenecks.
- Obtaining the necessary licenses and permits on behalf of potential investors. The Minister of Industry and Trade may license a project on its own behalf if other ministries and public authorities fail to give a justified reason for granting, or not granting, a license within 30 days of an application being submitted by the investor.
- Offering advice, information and data to investors.
- Creating investment promotion programs within the kingdom.

The following is a summary of some of the main points in the Investment Promotion Law 1995:

Guarantees for international investors

In accordance with the law, a foreign investor will receive the same rights as a Jordanian investor.

A non-Jordanian investor in any project that is subject to the provisions of the law shall be treated in the same way as a Jordanian investor.

A non-Jordanian investor has the right to invest in the kingdom on a 100 percent ownership basis, as a partner or an equity shareholder, according to the provisions of by-laws issued for this purpose.

A non-Jordanian investor has full managerial control and may select his own personnel.

A non-Jordanian investor has the right to full repatriation of capital and profits under this law and previous legislation.

Non-Jordanian technicians and administrative staff may freely remit salaries and any compensation monies.

No compulsory purchase by the government of any project shall take place unless it is in the national interest. The non-Jordanian investor should be adequately compensated and such compensation shall be freely transferable.

Any dispute between the foreign investor and the government that cannot be settled within six months may be taken to

court or referred to the International Center for the Settlement of Investment Disputes in Washington D.C.

Strengthening the institutional framework

A Higher Council for Investment Promotion will be formed under the chairmanship of the prime minister. The deputy chairman will be the minister of industry and trade, and the minister of finance will also be a member. Additional council members will include representatives from other ministries, the chambers of commerce and industry and three persons from the private sector.

An Investment Promotion Corporation is to be established under the chairmanship of the minister of industry and trade. Its role will be to:

- Suggest investment policies, determine their priorities, establish programs and submit them for approval to the Higher Council for Investment.
- Establish branches of the corporation inside and outside the kingdom.

An Investment Promotion Committee will be formed with representatives from the departments of income tax and customs, the Ministry of Industry and Trade, and the private sector. Its role will be to:

- Consider applications from investors within a 30-day period. Reasons must be given if a project is rejected.
- Approve any extra exemptions specified by the new investment law.
- Consider any appeal by investors to the board of directors within 30 days of the rejection announcement.

Exemptions and exceptions

Fixed assets of projects are exempted from taxes and fees provided that they are imported within three years of the date of approval of the project and its fixed assets. The committee may extend the period, depending on the size and nature of the project.

Imported spare parts are exempt from taxes and fees provided they do not exceed 15 percent of the total value of the fixed assets and are imported within 10 years of the project's start-up date.

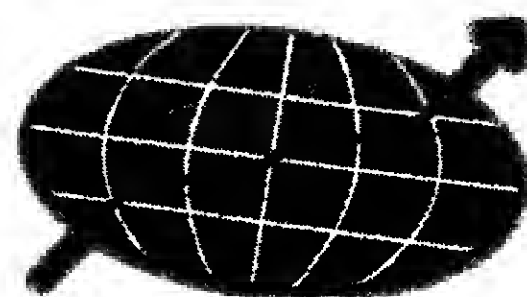
Fixed assets for expanding or modernizing the project are exempt if they result in not less than a 25 percent increase in production. Exemption also applies to fixed assets that have increased in value because of a rise in prices in their country of origin, higher freight charges or exchange rate fluctuations.

Exemption from income and social service taxes is granted from the start-up of industrial production or service for 10 years. The amount of tax exemption applied depends on the development area as follows: 25 percent for class A development areas, 50 percent for class B development areas and 75 percent for class C development areas.

Additional tax exemption may be granted if any expansion of the project results in increased production capacity. For every 25 percent increase in production, further exemption is granted for one year up to a maximum period of four years.

Hotels and hospitals are granted extra tax exemptions if they renew furniture and supplies and renovate once every seven years.

Amman '95



World Bank Backs Economic Reforms

Jordan has a stable economy that is enjoying steady growth based on the provision of goods and services to the region and the world.

The gross domestic product is expected to grow by 6.2 percent in 1995, pushing total GDP to \$6.8-\$7 billion by the end of the year. The external current account deficit should decline to 5 percent of GDP. The budget deficit, excluding grants, is expected to be only 4.6 percent, and inflation is being held to below 4 percent.

The government's financial position has been helped by a rise in export earnings and tourism receipts (the latter rose by 13.4 percent in 1994) and the continuing growth in remittances from Jordanians overseas, which showed a 17 percent increase in the first five months of 1995, compared with the same period in 1994.

The government debt has also declined, from a high of \$8.6 billion in 1989 to around \$6.6 billion today, which means a drop from 230 percent of GDP to less than 100 percent.

The United States has been the only creditor willing to extend major debt forgiveness, with \$750 million written off, but other creditors have offered modest relief and are happy to explore debt-equity swap possibilities. The government of France has agreed to a \$100 million swap.

Unemployment declined from a peak of 25 percent in 1991 to 12-15 percent in 1993-94. The country's high annual population growth rate of 3.4 percent makes the creation of new employment opportunities a major challenge for government and private sector alike.

Trade remains heavily weighted in favor of imports, with the 1994 trade deficit standing at \$2.106 billion, but exports rose by 15 percent in 1994, and similar growth is expected in 1995. After a 1994 decline of 4 percent, imports are expected to increase by about 8 percent in 1995, but there is a shift from consumer items to raw materials and capital goods for the growing industrial sector.

Exports in the first seven months of 1995 were \$738 million, a rise of 20 percent over the same period in 1994, with vegetable oil, fertilizers, potash, phosphates and pharmaceuticals leading the field. Major export clients are India, Saudi Arabia and the United Arab Emirates.

Jordan's \$2.081 billion import bill was dominated by goods from Iraq, the United States, the European Union and Japan. Improving economic performance has been underpinned by a successful structural reform program. This began following the debt crisis of 1988-89, survived the pressures of the 1990-91 Gulf War, and will continue until 1997.

Jordan's efforts have been supported by a stand-by arrangement from the IMF during 1992-93, a three-year extended IMF arrangement since 1994, sectoral loans from the World Bank and official external debt reschedulings from the Paris Club creditors.

Key elements of the current economic reform program include tariff reform and reform of the indirect and direct taxation systems. This represents a shift from a tax on earnings to a tax on consumption. Maximum customs rates, excluding cigarettes, alcohol and cars, have been reduced to 50 percent. A general sales tax of 7 percent was introduced in 1994 and has now been raised to 10 percent.

The new income-tax law reduces both corporate and personal taxes sharply. Tax rates for industry, mining hospitals and hotels have been cut from 30 percent to 15 percent, on banks and financial institutions from 55 percent to 30 percent. The program is being supported by an \$80 million Economic Reform Development Loan from the World Bank. The loan is expected to be matched by the Japanese government and also includes \$20 million from the Italian government.

The total of \$180 million will be available for balance of payments support, to cover imports or to build reserves.

THE PRIORITY PROJECTS

(Value in US\$ million)

SECTOR	PROJECT	EST. COST	CLASS	FINANCE
ENERGY	Power system interconnection	752	R	G & P
	Hazardous waste management	16	N	G & P
	Industrial workshops	4	N	G & P
	Phosphate plant	70	N	P
	Magnesium oxide plant	130	N	P
	Phosphoric acid complex	330	N	P
	Industrial minerals	10	N	P
	Copper exploration	10	N	P
	Granite quarrying	10	N	P
	Oil and gas exploration	10	N	P
TRANSPORT	Bridges and culverts	142	N	P
	Jordan river	14	R	G & P
	King Hussein Bridge/Access	14	R	G & P
	King Abdullah Bridge/Access	14	R	G & P
	Jordan Valley Bridge/Access	14	R	G & P
	Prince Mohammed Bridge/Access	14	R	G & P
	Western Border	14	R	G & P
	Idku-N-Shura highway	14	R	G & P
	Amman-N-Shura highway	14	R	G & P
	Kufurhade-Damra highway junction	14	R	G & P
RAILWAYS	S-Shura - N-Shura highway	100	R	G & P
	Amman-N-Shura highway	100	R	G & P
	Amman-N-Shura highway	100	R	G & P
	Amman-N-Shura highway	100	R	G & P
	Amman-N-Shura highway	100	R	G & P
	Amman-N-Shura highway	100	R	G & P
	Amman-N-Shura highway	100	R	G & P
	Amman-N-Shura highway	100	R	G & P
	Amman-N-Shura highway	100	R	G & P
	Amman-N-Shura highway	100	R	G & P
SEASIDE PORTS	Amman-N-Shura highway	100	R	G & P
	Amman-N-Shura highway	100	R	G & P
	Amman-N-Shura highway	100	R	G & P
	Amman-N-Shura highway	100	R	G & P
	Amman-N-Shura highway	100	R	G & P
	Amman-N-Shura highway	100	R	G & P
	Amman-N-Shura highway	100	R	G & P
	Amman-N-Shura highway	100	R	G & P
	Amman-N-Shura highway	100	R	G & P
	Amman-N-Shura highway	100	R	G & P
TELECOMS	Amman-N-Shura highway	100	R	G & P
	Amman-N-Shura highway	100	R	G & P
	Amman-N-Shura highway	100	R	G & P
	Amman-N-Shura highway	100	R	G & P
	Amman-N-Shura highway	100	R	G & P
	Amman-N-Shura highway	100	R	G & P
	Amman-N-Shura highway	100	R	G & P
	Amman-N-Shura highway	100	R	G & P
	Amman-N-Shura highway	100	R	G & P
	Amman-N-Shura highway	100	R	G & P
TOURISM	Amman-N-Shura highway	100	R	G & P
	Amman-N-Shura highway	100	R	G & P
	Amman-N-Shura highway	100	R	G & P
	Amman-N-Shura highway	100	R	G & P
	Amman-N-Shura highway	100	R	G & P
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	Amman-N-Shura highway	100	R	G & P
	Amman-N-Shura highway	100	R	G & P
	Amman-N-Shura highway	100	R	G & P
	Amman-N-Shura highway	100	R	G & P
WATER	Amman-N-Shura highway	100	R	G & P
	Amman-N-Shura highway	100	R	G & P
	Amman-N-Shura highway	100	R	G & P
	Amman-N-Shura highway	100	R	G & P
	Amman-N-Shura highway	100	R	G & P
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	Amman-N-Shura highway	100	R	G & P
	Amman-N-Shura highway	100	R	G & P

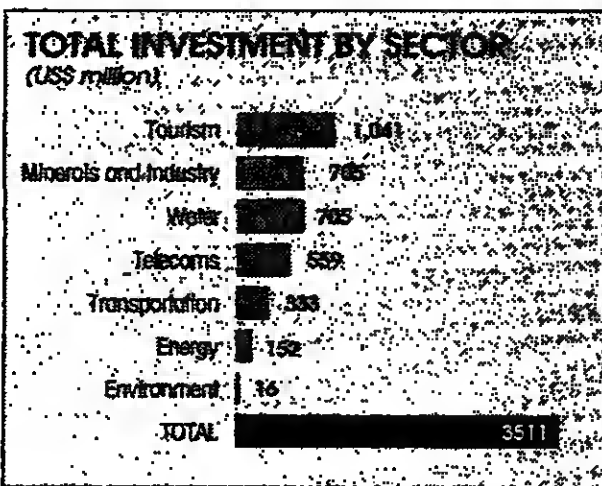
N= National

R= Regional

G= Government

P= Private

N/A= not applicable



PRIVATE SECTOR PROJECTS

PROJECT NAME	SPONSORED BY	FAK	PROJECT NAME	SPONSORED BY	FAK	PROJECT NAME	SPONSORED BY	FAK
1. Polyethylene Terephthalate (PET) S	Hair, Sals & Co.	(92-9) 09070	38. Synthetic Leather Production	Jordan Tanning Co. Ltd.	(92-9) 09194	10. Asphalt Hotel & Village Resort	Arab International Hotels Co.	(92-9) 09200
2. Carboxy Polystyrene (PES)	Jordan Automobiles Co.	(92-9) 09209	39. Woodworking & Furniture Factory	Sam Hakeb & Sons Factory for Furniture & Wood Manufacturing	(92-9) 09210	11. Asphalt Hotel & Village Resort	Arab International Hotels Co.	(92-9) 09200
3. Disposable Cartridge Bar Factory	Jordan Automobiles Co.	(92-9) 09210	40. Carboxy Polystyrene (PES)	Sam Hakeb & Sons Factory for Furniture & Wood Manufacturing	(92-9) 09211	12. Asphalt Hotel & Village Resort	Arab International Hotels Co.	(92-9) 09200
4. Carboxy Polystyrene (PES)	Jordan Automobiles Co.	(92-9) 09211	41. Carboxy Polystyrene (PES)	Sam Hakeb & Sons Factory for Furniture & Wood Manufacturing	(92-9) 09212	13. Asphalt Hotel & Village Resort	Arab International Hotels Co.	(92-9) 09200
5. Disposable Cartridge Bar Factory	Jordan Automobiles Co.	(92-9) 09212	42. Carboxy Polystyrene (PES)	Sam Hakeb & Sons Factory for Furniture & Wood Manufacturing	(92-9) 09213	14. Asphalt Hotel & Village Resort	Arab International Hotels Co.	(92-9) 09200
6. Disposable Cartridge Bar Factory	Jordan Automobiles Co.	(92-9) 09213	43. Carboxy Polystyrene (PES)	Sam Hakeb & Sons Factory for Furniture & Wood Manufacturing	(92-9) 09214	15. Asphalt Hotel & Village Resort	Arab International Hotels Co.	(92-9) 09200
7. Disposable Cartridge Bar Factory	Jordan Automobiles Co.	(92-9) 09214	44. Carboxy Polystyrene (PES)	Sam Hakeb & Sons Factory for Furniture & Wood Manufacturing	(92-9) 09215	16. Asphalt Hotel & Village Resort	Arab International Hotels Co.	(92-9) 09200
8. Disposable Cartridge Bar Factory	Jordan Automobiles Co.	(92-9) 09215	45. Carboxy Polystyrene (PES)	Sam Hakeb & Sons Factory for Furniture & Wood Manufacturing	(92-9) 09216	17. Asphalt Hotel & Village Resort	Arab International Hotels Co.	(92-9) 09200
9. Disposable Cartridge Bar Factory	Jordan Automobiles Co.	(92-9) 09216	46. Carboxy Polystyrene (PES)	Sam Hakeb & Sons Factory for Furniture & Wood Manufacturing	(92-9) 09217	18. Asphalt Hotel & Village Resort	Arab International Hotels Co.	(92-9) 09200
10. Disposable Cartridge Bar Factory	Jordan Automobiles Co.	(92-9) 09217	47. Carboxy Polystyrene (PES)	Sam Hakeb & Sons Factory for Furniture & Wood Manufacturing	(92-9) 09218	19. Asphalt Hotel & Village Resort	Arab International Hotels Co.	(92-9) 09200
11. Disposable Cartridge Bar Factory	Jordan Automobiles Co.	(92-9) 09218	48. Carboxy Polystyrene (PES)	Sam Hakeb & Sons Factory for Furniture & Wood Manufacturing	(92-9) 09219	20. Asphalt Hotel & Village Resort	Arab International Hotels Co.	(92-9) 09200
12. Disposable Cartridge Bar Factory	Jordan Automobiles Co.	(92-9) 09219	49. Carboxy Polystyrene (PES)	Sam Hakeb & Sons Factory for Furniture & Wood Manufacturing	(92-9) 09220	21. Asphalt Hotel & Village Resort	Arab International Hotels Co.	(92-9) 09200
13. Disposable Cartridge Bar Factory	Jordan Automobiles Co.	(92-9) 09220	50. Carboxy Polystyrene (PES)	Sam Hakeb & Sons Factory for Furniture & Wood Manufacturing	(92-9) 09221	22. Asphalt Hotel & Village Resort	Arab International Hotels Co.	(92-9) 09200
14. Disposable Cartridge Bar Factory	Jordan Automobiles Co.	(92-9) 09221	51. Carboxy Polystyrene (PES)	Sam Hakeb & Sons Factory for Furniture & Wood Manufacturing	(92-9) 09222	23. Asphalt Hotel & Village Resort	Arab International Hotels Co.	(92-9) 09200
15. Disposable Cartridge Bar Factory	Jordan Automobiles Co.	(92-9) 09222	52. Carboxy Polystyrene (PES)	Sam Hakeb & Sons Factory for Furniture & Wood Manufacturing	(92-9) 09223	24. Asphalt Hotel & Village Resort	Arab International Hotels Co.	(92-9) 09200
16. Disposable Cartridge Bar Factory	Jordan Automobiles Co.	(92-9) 09223	53. Carboxy Polystyrene (PES)	Sam Hakeb & Sons Factory for Furniture & Wood Manufacturing	(92-9) 09224	25. Asphalt Hotel & Village Resort	Arab International Hotels Co.	(92-9) 09200
17. Disposable Cartridge Bar Factory	Jordan Automobiles Co.	(92-9) 09224	54. Carboxy Polystyrene (PES)	Sam Hakeb & Sons Factory for Furniture & Wood Manufacturing	(92-9) 09225	26. Asphalt Hotel & Village Resort	Arab International Hotels Co.	(92-9) 09200
18. Disposable Cartridge Bar Factory	Jordan Automobiles Co.	(92-9) 09225	55. Carboxy Polystyrene (PES)	Sam Hakeb & Sons Factory for Furniture & Wood Manufacturing	(92-9) 09226	27. Asphalt Hotel & Village Resort	Arab International Hotels Co.	(92-9) 09200
19. Disposable Cartridge Bar Factory	Jordan Automobiles Co.	(92-9) 09226	56. Carboxy Polystyrene (PES)	Sam Hakeb & Sons Factory for Furniture & Wood Manufacturing	(92-9) 09227	28. Asphalt Hotel & Village Resort	Arab International Hotels Co.	(92-9) 09200
20. Disposable Cartridge Bar Factory	Jordan Automobiles Co.	(92-9) 09227	57. Carboxy Polystyrene (PES)	Sam Hakeb & Sons Factory for Furniture & Wood Manufacturing	(92-9) 09228	29. Asphalt Hotel & Village Resort	Arab International Hotels Co.	(92-9) 09200
21. Disposable Cartridge Bar Factory	Jordan Automobiles Co.	(92-9) 09228	58. Carboxy Polystyrene (PES)	Sam Hakeb & Sons Factory for Furniture & Wood Manufacturing	(92-9) 09229	30. Asphalt Hotel & Village Resort	Arab International Hotels Co.	(92-9) 09200
22. Disposable Cartridge Bar Factory	Jordan Automobiles Co.	(92-9) 09229	59. Carboxy Polystyrene (PES)	Sam Hakeb & Sons Factory for Furniture & Wood Manufacturing	(92-9) 09230	31. Asphalt Hotel & Village Resort	Arab International Hotels Co.	(92-9) 09200
23. Disposable Cartridge Bar Factory	Jordan Automobiles Co.	(92-9) 09230	60. Carboxy Polystyrene (PES)	Sam Hakeb & Sons Factory for Furniture & Wood Manufacturing	(92-9) 09231	32. Asphalt Hotel & Village Resort	Arab International Hotels Co.	(92-9) 09200
24. Disposable Cartridge Bar Factory	Jordan Automobiles Co.	(92-9) 09231	61. Carboxy Polystyrene (PES)	Sam Hakeb & Sons Factory for Furniture & Wood Manufacturing	(92-9) 09232	33. Asphalt Hotel & Village Resort	Arab International Hotels Co.	(92-9) 09200
25. Disposable Cartridge Bar Factory	Jordan Automobiles Co.	(92-9) 09232	62. Carboxy Polystyrene (PES)	Sam Hakeb & Sons Factory for Furniture & Wood Manufacturing	(92-9) 09233	34. Asphalt Hotel & Village Resort	Arab International Hotels Co.	(92-9) 09200
26. Disposable Cartridge Bar Factory	Jordan Automobiles Co.	(92-9) 09233	63. Carboxy Polystyrene (PES)	Sam Hakeb & Sons Factory for Furniture & Wood Manufacturing	(92-9) 09234	35. Asphalt Hotel & Village Resort	Arab International Hotels Co.	(92-9) 09200
27. Disposable Cartridge Bar Factory	Jordan Automobiles Co.	(92-9) 09234	64. Carboxy Polystyrene (PES)	Sam Hakeb & Sons Factory for Furniture & Wood Manufacturing	(92-9) 09235	36. Asphalt Hotel & Village Resort	Arab International Hotels Co.	(92-9) 09200
28. Disposable Cartridge Bar Factory	Jordan Automobiles Co.	(92-9) 09235	65. Carboxy Polystyrene (PES)	Sam Hakeb & Sons Factory for Furniture & Wood Manufacturing	(92-9) 09236	37. Asphalt Hotel & Village Resort	Arab International Hotels Co.	(92-9

A Final of Rugby Favorites Australia Faces England at Wembley

By Ian Thomsen
International Herald Tribune

LONDON — What was supposed to be a three-week lap for two teams around Britain. On Saturday host England and defending champion Australia will meet in the final at Wembley, three weeks after they launched the Rugby League World Cup there.

Only 40,000 people attended that meeting, a pleasant 20-16 surprise for England, probably because the northern English who live for (and have been dying with) rugby league preferred to wait for a rematch in the final. A larger crowd is expected this time, and an even better contest; but over all this hasn't been a world event any more than rugby league, celebrating its centenary, is a world game.

England and Australia, the two favorites, have spent the last 19 days plotting against each other at the expense of the tournament's remaining eight teams.

The brunt of the work has fallen on Australia, which came in rusty and without any of the players who have defected to Rupert Murdoch's Super League. The Kangaroos have won the four World Cups since 1975, but with 11 of its 17 men 24 or younger the current group looks vulnerable — especially at Wembley, where Australia has lost three of four matches in the last five years. The one Australian victory came in the 1992 World Cup final, a 10-6 beating of Britain in front of more than 73,000.

"Statistics show Wembley seems to give an advantage to the home side, but I don't honestly think it will influence Saturday's game that much," said Australian scrum-half Geoff Toovey, 26. "We are looking forward to playing there again."

Toovey will set the example. "If there is a better pound-for-pound player in the world, tell me who it is," said Australia's coach, Bob Fulton. He is also proud of 23-year-old Brad Fittler, the world's highest-paid player at



Australia's Geoff Toovey up against New Zealand.

1.05 million Australian dollars (\$795,000) this season. Toovey will find a different England scrum-half in 23-year-old Bobby Goulding, the semifinal man-of-the-match replacing injured captain Shaun Edwards. Martin Offiah, the most explosive player in the world, returns for England after missing the first Australia game.

Of the nine World Cups played sporadically since 1954, Britain holds the three out won by Australia. The British team was split into England and Wales for this year's larger World Cup.

Oddly, the final will serve as a distraction from the greater issues which have besegged rugby league this month. A more important (and destructive) game is the one in Sydney High Court between Murdoch and Kerry Packer, who con-

trols the current establishment. In Britain, Wales reached the semifinal but that result never seemed as important as the outcome (still pending) of star Jonathan Davies's proposed move back to rugby union, the 15-man game.

Thirteen-man rugby league has shown itself to be a faster, more open game of better athletes than the other code. Rugby union is trying to negotiate its own escape from amateurism, with some officials admitting that the game is too slow, the laws too convoluted to attract a larger TV following; nonetheless, compared to the popularity of rugby union's World Cup in South Africa last June, the rival version this month has disappointed.

It's a funny consolation, after 100 years in the game, that this World Cup final is really just a beginning.

Indians Hold On to Edge Braves, 5-4 Hershiser and Thome Stop Maddux

By Murray Chass
New York Times Service

CLEVELAND — Mired in adversity for the first time in their wondrous season, the Cleveland Indians played their last game at Jacobs Field this year, but they extended their year by at least one game.

Down by three games to one in the World Series and facing Greg Maddux, the consensus choice as the best pitcher on the planet, the Indians teetered on the brink of an early exit from their first World Series in 41 years. But Orel Hershiser, a veteran of these games, and Jim Thome, a newcomer, nudged them back from the precipice.

Hershiser, who lost to Maddux in the Series opener, outpitched him this time as the Indians edged the Braves, 5-4, and forced a sixth game in Atlanta on Saturday night. Thome

produced the critical hits, a two-out, tie-breaking single in the sixth inning against Maddux and a home run against Brad Clontz in the eighth that became the decisive run.

Maddux, who in the opener allowed only two opposite-field singles and a pair of unearned runs, gave up four runs in seven innings this time. Albert Belle slugged a two-run homer in the first inning, and Thome and Manny Ramirez stroked run-scoring singles in the sixth.

"His command wasn't as good as it was last time," Bobby Cox, the Braves' manager, said.

But Maddux, taking the defeat matter-of-factly, didn't see any difference. "I felt like I threw the ball as well as I did last week," he said. "They just hit it. The pitch to Belle — that's a pretty good pitch he hit. It was the same ball he flew out with to right in Atlanta last week. It just carried a little bit farther this time. Thome hit a good pitch. Ramirez hit a good pitch. They put the bat on the ball. Last week it went to people. This week it didn't."

Belle's home run, his second opposite-field home run in three times at bat spanning Games 4 and 5, followed a walk to Omar Vizquel in the first inning. The Braves ded the score on a fourth-inning home run by Luis Polonia and an unearned run in the fifth, the result of a wild throw by Hershiser on an attempted force play at second. Marquis Grissom drove in the tying run with a bases-loaded infield single.

It was the play following Grissom's hit that might have determined the outcome. With one out and the bases loaded,

Polonia, who now had driven in critical runs in three consecutive games, rapped a scorching grounder but right at Vizquel. The deft shortstop quickly turned it into an inning-ending double play.

"I hit that one better than the homer," Polonia said, lame-ting his luck. "I couldn't have hit it better than that."

The double play loomed large when the Indians jumped on Maddux for two more runs in the sixth. With one out, Carlos Baerga doubled to left field, Belle was walked purposely and Eddie Murray hit a fly to right, enabling Baerga to move to third.

That brought up Thome, whose World Series batting chart read two hits in 14 at-bats. He rapped a single up the middle, and Ramirez followed with a single to right for another run. When Thome batted the next time, in the eighth, he drove the ball to center field again, but this time over the fence.

With the Indians ahead, 5-2, Hershiser retired for the night, having allowed two runs, one earned, and five hits in eight innings. Jose Mesa came in to put a quick end to the game, but Fred McGriff doubled to right with one out and Ryan Klesko hit his third home run in the three games at Jacobs Field.

Just like that, the Indians' lead was a mere run. Mark Lemke was the next batter, and he knew what he had to do if the Braves were going to wrap up the World Series in five.

"He put it on the outside corner of the black, where he needed to keep it," Lemke said. "Chances with guys like that are slim."



Eddie Murray warning Greg Maddux: A pitch too close.

Lemke struck out. Not that the Indians needed an extra lift, but Thome said he thought they got it from a Maddux pitch high and tight that knocked Murray back from the plate after Belle hit his home run in the first inning. Murray took several steps toward the mound and players from both dugouts rushed on the field.

"I might have thrown it a foot more inside than I wanted to," Maddux said later. "I've never taken a home run out on a guy who hits after the guy who hit it. I don't believe in it. I wasn't throwing at him. I have a lot of respect for Eddie."

Sanders in Debut With Cowboys

New York Times Service

Cowboys (6-1) at Falcons (5-2): Key stats: Emmitt Smith leads the league in first downs with 54 (48 rushing, 6 receiving). Atlanta's Eric Metcalf is No. 3 in the NFL in punt return average with 11.2 yards.

Comment: Deion Sanders, a former Falcon, makes his 1995 NFL debut for the Cowboys. As a 49er last year he needed the Falcons at home with a 90-plus yard interception return for a touchdown. Cowboys by 10-7.

Jets (2-5) at Colts (4-2): Key stats: The Jets are the only team in the league without a rushing touchdown — the NFL average is 5.3. Indianapolis quarterback Jim Harbaugh's 65.5 completion percentage leads the AFC.

Comment: Recently this series has produced some ugly games, because both teams have been struggling. The Jets are still stumbling, but the Colts have become quite competitive. Odds makers favor the Colts by 10-7.

Panthers (2-5) at Patriots (2-5): Key stats: The Panthers defense has seven interceptions in the last two games. New England's Vincent Brisby has caught 34 passes, and 28 have been for first downs.

Comment: The Patriots are coming off a strong performance against the Bills. The Panthers are susceptible to the run, and that will work in New England's favor. Patriots by 9.

Browns (3-4) at Bengals (3-4): Key stats: Cincinnati quarterback Jeff Blake has thrown a touchdown pass in every game this season. Of Anthony Pleasant's 6.5 sacks for Cleveland, five have caused fumbles.

Comment: Vinny Testaverde has been benched. It's Eric Zeier to the rescue for the Browns. Zeier will have few healthy targets because wide receivers Derrick Alexander, Michael Jackson and Keenan McCardell are limping. Browns by 2.

Jaguars (3-5) at Steelers (3-4): Key stats: The Jaguars lead the AFC with a 60 percent touchdown conversion in the red zone. The Steelers have a net difference of

minus-8 in turnovers — the third worst in the NFL.

Comment: Mark Brunell has settled in and is running the offense better now that he's getting good protection from the offensive line. The Steelers lost a key member of their defensive line when ool tackle Joel Steed was suspended for four games for using steroids. Steelers by 10.

Rams (5-2) at Eagles (4-3): Key stats: Isaac Bruce leads the NFL in receiving yards with 833. The Eagles have the league's No. 1 rushing attack (157.1 yards a game) and the NFC's No. 3 rushing defense (88.6 yards a game).

Comment: The Rams were brought back to earth last week by the 49ers in a humiliating fashion. Quarterback Chris

Miller actually apologized to team owner Georgia Frazier for not showing up to work last Sunday. His four interceptions resulted in 28 points for the 49ers. Eagles by 3-16.

Packers (5-2) at Lions (2-5): Key stats: Green Bay's Brett Favre has thrown 16 touchdown passes, which ties him with Chicago's Erik Kramer for the most in the NFL. The Lions have committed 65 penalties for 469 yards — the most in the league.

Comment: It's the second meeting between the two teams in two weeks. The Lions will need to get an outstanding game out of Barry Sanders to beat the Packers. Lions by 2-16.

Bills (5-2) at Dolphins (4-3): Key stats: Miami's Dan Marino is completing 67.6 percent of his passes on third down. Comment: The Dolphins have veered off course, having lost three straight — two without Marino. He's due back this week from arthroscopic knee surgery. Dolphins by 7.

Saints (1-6) at 49ers (5-2): Key stats: The Saints defense has 27 sacks — the most in the league. The 49ers defense has

returned four interceptions for touchdowns — the most in the NFL.

Comment: Elvis Grbac will start at quarterback again for the 49ers. Unless the Saints get pressure on him, he'll have a field day. 49ers by 14.

Seahawks (2-5) at Cardinals (2-5): Key stats: Cardinals quarterback Dave Krieg has thrown 11 interceptions, second only in the NFL to Seattle quarterback Rick Mirer, who has thrown 12.

Comment: Coach Craig Erickson has seen enough of Mirer. So, he'll throw journeyman John Friesz into the starting lineup to see if he can spark the offense. The Seahawks have given up 17 touchdown passes. Cardinals by 4.

Buccaneers (5-3) at Oilers (2-5): Key stats: In the last four games Tampa Bay is plus-14 in takeaways. Houston's Marion Butts leads the AFC with 85.7 percent of third down conversions.

Comment: The Oilers have lost four games by a total of 17 points. The Bucs will be the recipients of the Oilers' largesse this time. The teams are rated even.

Giants (2-5) at Redskins (3-5): Key stats: The Redskins are No. 5 in the league in scoring (189 points), but they are next to last in points allowed (193). On third down attempts, New York's Dave Brown has completed 49.1 percent of his passes for one touchdown and four interceptions.

Comment: The Giants are looking for their fourth straight win at RFK Stadium. They average just 16.4 points a game, and the Redskins average 23.6. Redskins by 3.

Bears (5-2) at Vikings (3-4): Key stats: The Bears have scored 30 or more points in three straight games. Robert Smith has fumbled just once in 228 carries and 46 receptions over his three-year career.

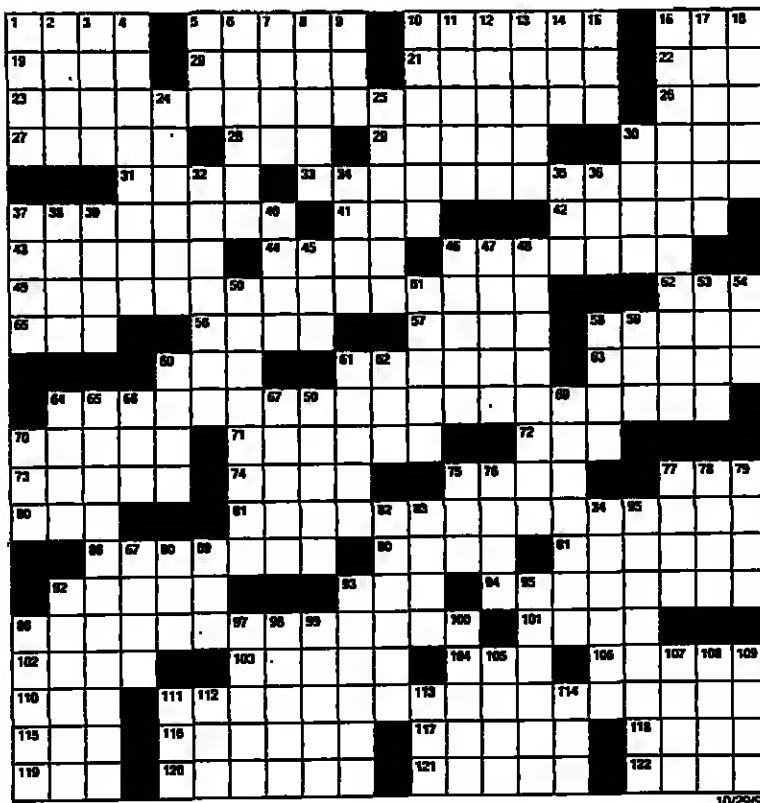
Comment: Erik Kramer is one of the hottest quarterbacks right now, having thrown 16 touchdown passes and tying the Packers' Brett Favre for the most in the league. Bears by 3-16.

Matchups by Timothy W. Smith of The New York Times. Odds by Harrah's.

PLAYING FAVORITES By Maura B. Jacobson

- ACROSS
- 1 Puncturing tools
 - 5 On the way out
 - 6 Blood component
 - 6 Harper Valley G.P.
 - 9 Fly swatter, of a sort
 - 10 Kind of cat
 - 11 Wismazier
 - 12 Wine choice
 - 13 Joey Buttafuoco's favorite song
 - 14 Flight board abbr.
 - 17 Poma acquaintances
 - 18 Be beholden to
 - 19 Gone from the plate
 - 20 Ghanaian language
 - 21 Multipurpose food item
 - 23 Tatum O'Neal's favorite film
 - 27 Bedfellow
 - 28 Inquired, in Dogpatch

- DOWN
- 1 Upon
 - 2 Fade
 - 3 Trounce
 - 4 Nearly snowing
 - 5 Wok
 - 6 No holds barred
 - 7 Poky
 - 8 Cut off
 - 9 Sightable
 - 10 Flexible
 - 11 Latvians
 - 12 Needed liniment
 - 13 Writer Alexander
 - 14 One on the rolls: Abbr.
 - 15 Ending with diet or diction
 - 16 As fast as possible
 - 17 Animal restraint
 - 18 Robin of balladry
 - 24 Related compound
 - 25 Frimie, e.g.
 - 30 "— she blows!"
 - 32 Kind of look
 - 34 Supping Dam site
 - 35 Western coll.

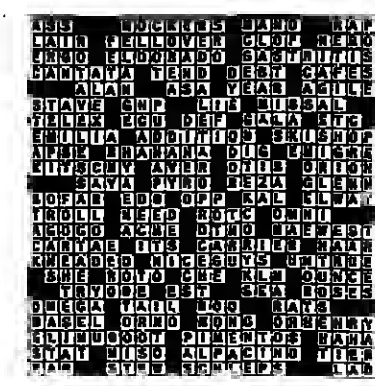


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- 36 Telecommunications giant
- 37 "— be Queen o' the May"
- 38 Okinawa's capital
- 39 Himalayan hike
- 40 "I hope to see London once"
- 41 "die": Shik
- 42 Time and again
- 43 Line of type
- 47 80's-90's NBC drama
- 48 More than an admirer
- 50 Piner's "Trelawny of —"
- 51 Noodleheads
- 52 Dilly
- 53 Converted sofa
- 54 Get in a little way
- 59 "To Each — Own"
- 60 The Post's TV companion
- 61 Double a knot
- 62 Peer Gyn's mother
- 64 Mate for 60-Down

- 65 Text corrections
- 66 River inlet
- 67 Ancient Troy
- 68 Water regulator
- 69 Paper distributor
- 70 Man from Uz
- 75 Union abbr.
- 76 Unless, in court
- 77 End of a certain game
- 78 Suit to —
- 79 "West Side Story" gang
- 82 Old Greek malls
- 83 High schooler
- 84 Candle source
- 85 Leave the pad
- 87 Lady Hamilton
- 88 "Cry — River" suffix
- 89 Directional
- 92 Will Rogers prop
- 93 Fashion show locale
- 95 1982 Oscar portrayal
- 96 Great Prince of the Forest

Solution to Puzzle of Oct. 22-23



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DAVE BARRY

Why We're All Getting Heavier

MIAMI — I am pleased to report that we finally have a scientific explanation for why everybody in the world is gaining weight. At least I am, and I know it's not my fault. Granted, I do not have the best dietary habits. Sometimes in a restaurant I will order fried, fatty foods ("Give me a plate of fried, fatty foods, and hurry," are my exact words). But I compensate for this by engaging in a strict exercise regimen of vigorously pounding the bottom of the ketchup bottle for as long as necessary.

You're going to be happy to learn that neither of us is responsible. The universe is responsible. We know this thanks to a scientific insight by alert 14-year-old Massachusetts reader Tim Wing. Tim was browsing through "The Usborne Book of Facts and Lists" when he came across the following fact: Every single day, TONS of space dust land on the Earth. This means that every day, the Earth weighs 25 tons more, which means that it contains a larger quantity of gravity, which as you know is the force made up of invisible rays that cause all physical objects in the universe to become more attracted to bathroom scales.

What this means, Tim Wing points out, is that "without gaining an ounce, people all over the world are getting heavier."

And there is more bad news: At the same time that gravity is increasing, the entire universe is expanding, except for pants. Pants are staying the same size, which means that — and this has been confirmed by extensive scientific tests conducted in my closet — a so-called "33-inch-waist" pant will barely contain a volume that formerly fit easily into a 31-inch-waist pant.

But our big problem is this gravity buildup, which has already started to pose a grave threat to public safety. I refer here to an incident that occurred in Fort Lauderdale, Florida, where, according to a Sept. 16 Miami Herald story that I am not making up, "A loggerhead turtle fell from the sky and hit a man in his white Chevy Nova."

The man was unhurt, and so was the turtle, which, according to the Herald story, apparently was dropped by a seagull. But that is exactly my point: Since who do seagulls — one of the most sure-handed species of bird — drop turtles? The obvious answer is: SINCE TURTLES STARTED GETTING HEAVIER.

And as space dust continues to land on Earth, the situation will only worsen, with chilling results. According to my calculations, at the current rate of gravity buildup, by the year 2038, an ordinary golf ball will weigh the equivalent, in today's pounds, of Rush Limbaugh. Even a professional golfer, using graphite clubs, would need dozens of strokes to make such a ball move a single foot. An average round of golf would take four months — nearly TWICE as long today.

It is that the kind of world we want our children to grow up and develop gum disease in? I think not. Fortunately, I have come up with a practical answer in the form of a... GRAVITY REDUCTION PLAN.

The problem is that 25 tons of stuff is landing on the Earth every day, right? So the obvious solution is to put 25 tons worth of stuff into a rocket every day and blast it into space.

Perhaps you're saying: "But Dave, how are we going to find 25 tons worth of stuff every single day that is so totally useless that we can just send it into space with total confidence that it could never possibly in any way benefit humanity?"

I can answer that question in three simple words: "fourth-class mail." Every day AT LEAST 25 tons of material is painstakingly mailed all over the United States and thrown away immediately upon receipt.

Solid-waste experts estimate that 78 percent of the nation's landfill capacity is currently occupied by sincere unopened letters from Ed McMahon informing people that they have almost definitely won \$14 million. Why not just load this material directly into rockets? And consider this: If we send up MORE than 25 tons a day, the Earth would actually LOSE gravity. I calculate that every human being on the planet would instantly be six ounces lighter if we also sent Ed up there, out that I am necessarily proposing this.

So I say let's fire up the rockets and get this program going before gravity gets so strong that all we can do is lie on the ground, helpless, while turtles rain down upon us.

If you agree, write your senators and congresspersons today. Stress the urgency of the situation. Stress their responsibility as public officials. Above all, stress that there's room in the rocket with Ed.

Knights-Ridder Newspapers.

Spirits On-Line in Time for Halloween

International Herald Tribune

PARIS — After slow centuries of oracles, crystal balls and table tapping, spirits have gone on-line, giving a new dimension to cyberspace. The computer world has stretched to the great beyond.

Spirit images typically appear on the screen when the computer is plugged into a wall outlet but not in use. Sometimes people come home and find a new file has been created on their disk, according to Mark Macy of the International Network for Instrumental Commu-

MARY BLUME

nication. The phenomenon began in 1986, when Maggie and Jules Hirsch-Fischbach of Luxembourg — she is a schoolteacher, he a civil servant — received their first paranormal video image and founded the Cercle d'Enquêtes sur la Transcommunication, a research group which also supports human and animal rights, a balanced ecology, and the European Community.

Maggie Hirsch-Fischbach remains the spirits' chief addresser — she even got a cure from beyond for a stubborn intestinal disorder — but the movement has spread as far as Brazil. Computer skills are not enough: a certain degree of spirituality has to be reached for contact to be made.

Speaking from his home in Colorado, Macy said he has made telephone and radio contact with the deceased but has not yet received an image on his screen. "I haven't got as comfortable with it as I know I will," he said. "Maggie is really the expert at this. She had a talk with Scott Joplin at one time, the tape is just phenomenal."

The ragtime composer, who died in 1917, was sending a telephone message from a German named Otto Schwickerath to his widow, Hilde, who was at Hirsch-Fischbach's side.

"Maggie and Hilde speak very little English so they had a difficult time understanding him and he was getting more and more frustrated," Macy said. "Maggie calms him down so he doesn't get so frustrated that the contact breaks down." The barking of the Schwickeraths' late dog, Cookie, needing no translation, came through loud and clear.

Others who have manifested via instrumental transcommunication — ITC for short — include Pierre and Marie Curie, Konrad Lorenz, and, in a joint image, Thomas Edison and George Cukor. The explorer Richard Burton offered a travelogue of a spiritlike trek along the River of Eternity. Alexander Graham Bell refused to participate.

"Jules Verne at first wasn't reachable or interested," Macy says, "but somehow they coaxed him to participate. What makes them change their minds I don't know."

The fact that next week is Halloween won't increase contacts, Macy says. "Restless spirits, ghosts, goblins — the people we're working with are way beyond that, they're very stable and mature."

Undoubtedly they are, but still a very mixed bag. Why

George Cukor, a charming but not deeply spiritual film director, and why Scott Joplin instead of someone who speaks German?

"My suspicion — and I've thought about this a lot — is I think they're assembling an entertainment type of group, spiritlike, a group in charge of arts and entertainment because that's where especially the American mind-set is and a lot of people are more inclined towards arts and entertainment than they are towards science," Macy said. "They seem to be drawing a lot of people together on the other side for that reason."

Among celeb spirits, the producer Hal Roach has appeared, and there is hope that Michael Landon, TV star of "Little House on the Prairie" might look in. "A psychic in our group was in telepathic communication with him. He was very interested in this project but it just hasn't manifested over instruments yet. It probably will."

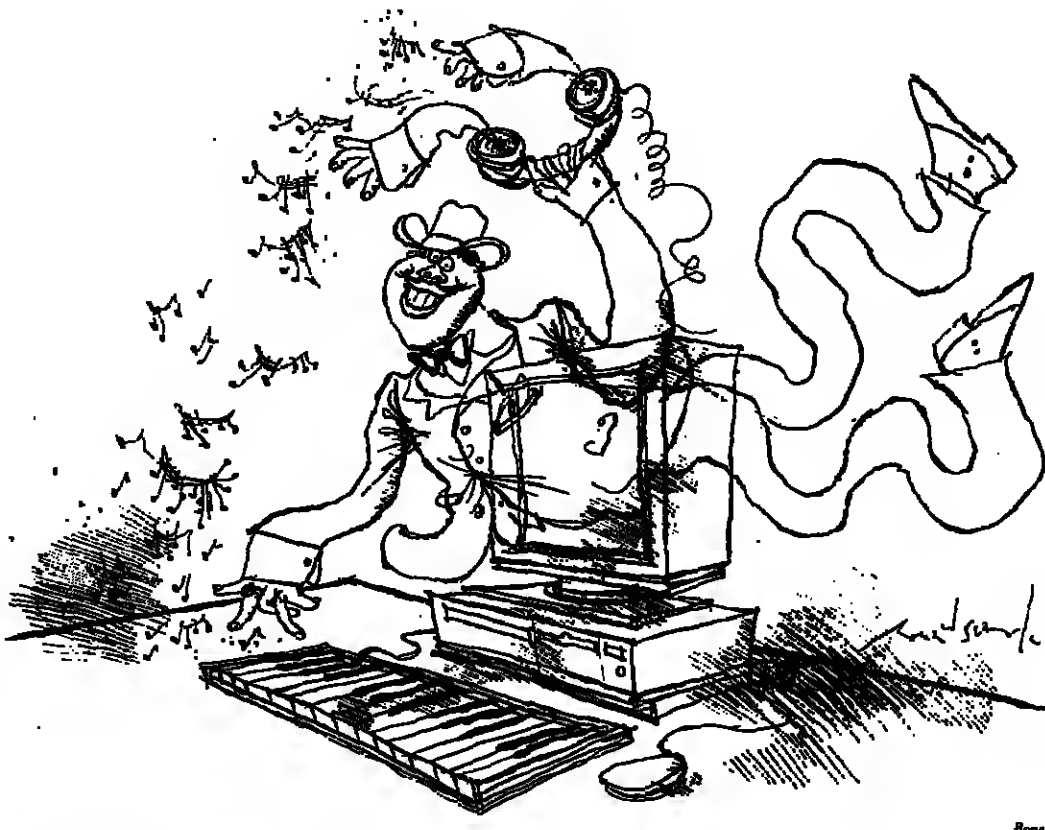
Sometimes the spirits have specific messages to give, Macy says, but most of the contacts have been to keep what he calls the energy bridge open so that the spirits can report on what it's like to live on the other side.

The life described by spirit spokespersons sounds pretty

heavenly. Everyone enjoys excellent health and is forever between 25 and 30 years old. There are concert halls and museums set in stunning landscapes twinkling with rare butterflies. People live in comfortably furnished homes and eat and drink all they wish. They freely enjoy sex and no one gets pregnant. The climate is always mild.

Believers in instrumental transcommunication consider their case proved, but of course they are not the only ones moving into the field. Last year, newspapers reported that the image of the late Erich Honecker appeared on German computer screens with the alarming message, "I'll be back," but this, says Macy, sounds like a hacker's hoax. And a lecturer at Newcastle University in England has created a Virtual Memorial Garden to replace old-fashioned cemeteries, opening new fields to eager entrepreneurs.

One thing serious ITC researchers needn't worry about is computer billionaires trying to spin an extra profit from spirit software. "All the technology for advanced ITC contacts is being assembled on the other side of the veil, not here on earth," Macy firmly states. Eat your heart out, Bill Gates!



Ronald Searle

POSTCARD

N.Y. Hotel Trades Designer Image for Softer Look

By Timothy Jack Ward
New York Times Service

NEW YORK — Could it be true? Could it be that Morgans Hotel, the harbinger of Eurostyle in New York, the prototype "designer hotel" when it opened in 1984, had become tired? Or, as its French designer, André Putman, put it, "usé jusqu'à la corde" or threadbare?

Eleven years, one recession and one Return to Comfort later, it was all too true. Wear and tear aside, all that black and white and gray was no longer cool, just cold. And so last spring the hotel's owner, Ian Schrager, asked Putman to return to the project that first propelled her to international fame.

Once a monument to designer excess, Morgans, at 237 Madison Avenue, has

gone soft, warm, vanilla. Well, more coffee latte, really. If in the early '80s Morgans was a top-heavy power suit, the new-and-improved Morgans is a slouchy pair of corduroys.

Throughout the hotel, the palette has softened from cool, silvery tones with black-and-white-check accents, to a warmer, subtler mix that ranges from sandy to sandier.

"These days, the less you see, the better you feel," Putman said.

The new lobby sets the tone. The sleek but uncomfortable designer-statement armchairs have been replaced by flea-market treasures. There are pairs of weathered caramel-colored leather club chairs that are inviting and familiar. A 19th-century mahogany, teak and rattan planter's chair sprawls by the front door.

Styles of decorating change just as styles

of living do. Putman, too, has changed. "My passion now is to change life a little bit, to improve daily life," she said on a recent visit to New York to supervise the finishing touches of the \$1.3 million renovation. "I believe design is redemptive. The new goal is to create things that last."

Her list of design dislikes remains the same: "Too much Louis someone, too big flowers, too much the desire to intimidate. And I do resent the obligation of using lavish materials, pretending to be Versailles."

Putman seems equally disdainful of those who are obsessed with newness and acquisition. "For all the threatening advertising, and wanting so desperately to be in, suddenly people are realizing that buying things doesn't save" in the redemptive sense, she said.

WEATHER

















Forecast for Sunday through Tuesday, as provided by Accu-Weather.

Europe				Asia			
City	Today	High	Low	City	Today	High	Low
Amsterdam	24/27	16/21	10/12	Bangkok	31/30	25/29	21/18
Antwerp	18/21	14/17	10/12	Beijing	19/20	16/13	12/9
Athens	18/24	14/17	10/12	Hong Kong	27/30	24/23	21/18
Berlin	12/20	18/24	14/17	Manila	31/28	25/22	21/18
Bombay	28/31	24/21	18/15	Osaka	27/27	18/14	14/11
Buenos Aires	12/20	18/24	14/17	Shanghai	22/21	12/9	8/5
Calcutta	28/31	24/21	18/15	Singapore	31/28	25/22	21/18
Cairo	28/31	24/21	18/15	Tokyo	22/21	12/9	8/5
Canton	28/31	24/21	18/15				
Chengdu	28/31	24/21	18/15				
Colon	28/31	24/21	18/15				
Columbus	28/31	24/21	18/15				
Cuba City	28/31	24/21	18/15				
Dallas	28/31	24/21	18/15				
Detroit	28/31	24/21	18/15				
Edinburgh	12/20	18/24	14/17				
Frankfurt	12/20	18/24	14/17				
Geneva	12/20	18/24	14/17				
Hamburg	12/20	18/24	14/17				
London	12/20	18/24	14/17				
Madrid	12/20	18/24	14/17				
Moscow	12/20	18/24	14/17				
Munich	12/20	18/24	14/17				
New York	12/20	18/24	14/17				
Paris	12/20	18/24	14/17				
Philadelphia	12/20	18/24	14/17				
Pittsburgh	12/20	18/24	14/17				
Rome	12/20	18/24	14/17				
San Francisco	12/20	18/24	14/17				
Seattle	12/20	18/24	14/17				
Shanghai	12/20	18/24	14/17				
Taipei	12/20	18/24	14/17				
Tokyo	12/20	18/24	14/17				
Washington	12/20	18/24	14/17				
Yokohama	12/20	18/24	14/17				

Forecast for Sunday through Tuesday, as provided by Accu-Weather.



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<p>The Northeast will be blustery and cool Sunday (then rain, transit and seasonable Monday and Tuesday. Chicago and Toronto will be dry, transit and seasonable as they arrive from the west to start early next week. Very cool, transit and seasonable in Plains and Rockies.</p>		<p>London will have a few showers on Sunday, then mainly dry and early next week. Paris will also have rain Sunday, then dry and mainly showers. Rome and a few thunderstorms will move into Italy, while the cold fronts southward from Scandinavia to Germany and Poland.</p>		<p>Tropical Storms Zaneke will pass near the Philippines. Onda will cook parts of Japan into Monday while Zaneke will cook the rest of South. Harsh no winds will follow the storm. Strong gusty gaps will have some ons.</p>																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																												
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